ECONOMIC AND POLITICAL WEEKLY

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PUBLIC DEBT: TACKLING GROWING BURDEN

■ CONSENT, AGENCY AND RHETORICS OF INCITEMENT

BREAST-FEEDING AND WORKING MOTHERS: LAWS AND POLICIES

■ BANKS: MYTH OF NON-VIABILITY OF RURAL BRANCHES

SUBSIDIES, PATENTS AND MARKET ACCESS IN DUNKEL DRAFT

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Women's Agency: Limits and Possibilities

The question of women's agency is central for feminists, both in relation to practical organisation and to historical reconstruction. Marxist and socialist feminists have worked with a notion of *direct* agency, at the point of its emergence into self-consciousness and its transformation into collective political will. However, women's agency remains problematic in both theory and practice. Because women are simultaneously class differentiated and subject to the frequent cross-class expansion of patriarchal ideologies, their agency is not open to historically self-evident modes of collectivisation. More attention needs to be paid, therefore, to socially structured and often sanctioned forms of *indirect* agency, in their specific articulation of consent and resistance as significant signs of the ways in which men and women make their histories or are inhibited from doing so. 867

Panchayats and Self-Government

The Constitution (73rd Amendment) Act has in essence constitutionalised panchayats as a third stratum of government at and below the district level. Its implications are far-reaching and perhaps not fully grasped even by those who legislated the measure. 859

The enactment of the new Karnataka Panchayat Raj bill in replacement of the earlier Act of 1983 reveals not so much a commitment to progressive decentralisation of government as a unanimity among legislative members belonging to all parties on strengthening their hold on panchayati raj institutions. 847

Dealing with Public Debt

The answer to our current concern about the size and burden of internal public debt is certainly not to take fright and slash government expenditure in order to reduce public borrowing Policy-makers should instead focus attention on reviewing the allocation of government expenditures with a view to allocating the maximum possible proportion of these expenditures in areas and in a manner that contribute to the growth of national income. 883

Mothers and Workers

Much concern is currently being expressed about the trend towards decline in breast-feeding and its implications for the health and development of children. The efforts being made to promote breast-feeding through social policy and new legislation consequently tend to focus attention almost exclusively on the welfare of the child. However, keeping in mind women's dual roles as workers and citizens on the one hand and mothers on the other, it is necessary to raise certain issues related to working mothers and the law so as to take a more balanced view of the needs of both women and children. 887

Paying for Education

While higher education does involve significant externalities justifying some element of subsidy in its provision, consumers ought to be made to pay a price which is commensurate with their annualised private benefits. 891

Illusion of Access

The market access which the Dunkel proposals appear to provide for agricultural produce of countries like India is illusory because these countries do not have a comparative advantage in agricultural exports The market access approach together with the proposals with regard to intellectual property rights will on the other hand raise agricultural costs and render further non-competitive agricultural and industrial products from these countries. 85

Forests and Floods

The Centre for Science and Environment's third Citizen's Report on the state of India's environment has sought to question the view, vigorously propagated by environmentalists, that afforestation of the Himalayas is the sustainable solution to the problem of floods in the northern and eastern plains of the Indian subcontinent 849

Money in Rural Banking

There is nothing inherently non-viable about banking in the rural areas. The much-talked-about losses of banks' rural branches have to be attributed to the incompetence of individual banks' managements. 853

LETTERS TO EDITOR

Plight of Bhopal Gas Victims

THE victims of the world's biggest industrial disaster—the Bhopal gas leak disaster of December 2/3, 1984—continue to suffer in various ways. Till January 30, 1993 only 1,710 cases (out of a total of over 6,00,000 claims, including 14,000 claims on account of death) had been decided upon in the 30 claim courts. Meanwhile, the payment of interim relief to over 5,00,000 victims, which had been going on for the last three years, ceased from April 1993. It had been loudly proclaimed that it was to provide immediate relief to the victims that the settlement of February 1989 with Union Carbide Corporation had been hastily concluded. But, while the victims who are in acute need of immediate relief have been left in a state of helplessness, even the absurdly truncated settlement sum lying in the custody of the Supreme Court remains largely unutilised. Given the tardy pace of adjudication of claims, should not a simpler and speedier method be evolved to disburse the compensation? Is it not a fair demand that interim relief to the gas victims be continued until their claims are adjudicated?

As a result of intense lobbying by victim groups, the government of India had on March 5, 1990 allocated a sum of Rs 360 crore as interim relief for the Bhopal gas victims. The interim relief, which was to benefit 5,00,000 victims, was to be adjusted against their final compensation. While the last instalment of interim relief was paid in March, the process of adjudication of claims has been extremely slow. At the rate at which it is progressing it will take several years for the 6,00,000 odd claims to be settled. Therefore, in order to mitigate the hardship the victims may face until their claims are amicably settled, the demand was made of the government that it continue to pay interim relief as it had done during the last three years.

The government may not have to mobilise additional resources for continuing the interim relief. There was an alternative suggestion. It was pointed out that the settlement sum of $ 470 million paid by UCC in March 1989 now amounts to over Rs 2,000 crore (at the current exchange rate) and generates interest of around Rs 200 crore per annum. The total amount that is required to pay interim relief to the victims annually (which is about Rs 140 crore) could easily come out of the interest that is accruing on the settlement sum. The task of continuing interim relief need not, therefore, become a financial burden on the government.

It was also pointed out that the government had set up a special industrial area for the economic rehabilitation of the gas victims. Despite several representations, the government has not taken any step regarding economic rehabilitation of the gas victims. The demand, therefore, was that the government immediately provide additional jobs by setting up appropriate industries in the industrial area earmarked for gas victims.

In the claim courts where poor victims have to plead their case themselves, compensation has unjustly been denied in 1,152 cases or almost 70 per cent of the 1,710 cases adjudicated so far. While in the 558 cases where compensation has been awarded, the amounts have been miserably low. Another disturbing fact is that the quantum of compensation is being determined only according to the wages lost due to death or injury. An alternative and more equitable scheme would be to allocate a fixed sum of money to every resident present on the night of December 2/3, 1984 in the 36 gas-affected wards of Bhopal. This would ensure a basic minimum of compensation to all gas victims. The underlining assumption is that all those who were present in the gas-affected areas must have inhaled a significant amount of the toxic gases.

It is reliably learnt that the government has discontinued 24 of the 26 studies on the effects of the toxic gases on the life systems of Bhopal. If the government has, indeed, moved in that direction, it is a highly deplorable step. The government must desist from any attempt to discontinue research on the effects of the toxic gases. The government must also be asked to make public the results of all studies carried out by the Indian Council of Medical Research and other agencies on the effects of the toxic gases. Lack of access to such information, on the one hand, denied the gas victims a source of vital evidence which could strengthen their claims for adequate compensation. On the other hand, the judges of the claim courts, who are totally unaware of the medical consequences of the toxic gases, cannot be expected to give fair judgments in the absence of adequate information on the nature of the injuries sustained by the gas victims.

The Bhopal gas tragedy is certainly an issue of national concern and political differences must not stand in the way of relief, rehabilitation, compensation disbursement, medical research, criminal prosecution and other related matters. It would be a matter of national shame if the nation continues to remain indifferent to the tragic plight of the Bhopal gas victims. It is hoped that all concerned people from all walks of life would again come forward to speak up for the gas victims.

N D JAYAPRAKASH
Delhi Science Forum,
New Delhi.

Maltreatment of Working Children

THE members of Bhima Sangha are children who are working for a livelihood. Though our contribution amounts to 20 per cent of the GNP of our country, we remain deprived of basic facilities and rights. We are constantly ill-treated. To protest against these, we have created this forum through which we are determined to build a better future for ourselves. For this, we need support from all of you who are concerned about working children.

Maltreatment of working children in the hotel industry must stop. To move ahead in this direction we have the following appeal to make: To effectively stop such atrocities, a special committee should be set up. This committee should consist of officials from the labour department, officials from the corporation, officials from the police department, representatives from organisations like the Concerned for Working Children and Bhima Sangha. This special Task Force must be given powers to check the violence and labour mismanagement in the hotel industry.

Radha, Gulzar, Naywani, Vinayaka and Others.
Bhima Sangha,
Bangalore.

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ECONOMIC AND POLITICAL WEEKLY

No Escaping EFF

THE obviously orchestrated reports on the government's intentions with regard to further borrowing from the IMF have sought to suggest that difficulties have arisen because its ability to satisfy the quantitative performance criteria and the policy benchmarks prescribed by the multilateral agencies is wearing thin, particularly against the background of the fragile socio-political situation in the country. Earlier indications were that the government would go in for additional borrowings under the IMF's extended fund facility (EFF) in combination with the enhanced structural adjustment facility (ESAF). There was an explicit commitment to that effect in the government's memorandum of economic policies for 1992-93 submitted to the IMF in early June 1992 as part of the requirement for the current stand-by arrangement. But more recently the government has been trying to convey the impression, through inspired reports in the press, that it would seek assistance from the IMF via some alternative route, not the EFF/ESAF one.

It is true that the fiscal deficit target of Rs 35,450 crore (or 5 per cent of GDP) for 1992-93 may be missed by a wide margin. There have occurred large shortfalls in the government's revenue collections as also in the sale of shares of public sector undertakings. While the revised estimates for 1992-93 had put the budget deficit at Rs 7,202 crore, it may now turn out to be at least Rs 3,500 crore more. Considering the persistence of recessionary conditions, further fiscal compression in pursuit of the IMF-dictated target of fiscal deficit would be suicidal. Financial sector reform has similarly come up against formidable roadblocks. Finally, some questions may also be raised about whether India really needs fresh balance of payments support right now since official data show the level of the country's foreign exchange reserves to be around $ 7 billion.

The IMF is, however, playing for much bigger stakes in India and it is not likely that relatively limited technical considerations such as those mentioned above are what will count in the ultimate analysis. The completion of the process of opening up of the Indian economy will be a big feather in the cap of the IMF bureaucracy and it is not surprising, therefore, that the Fund's managing director, Michel Camdessus, has chosen to state publicly that he is looking forward to giving more assistance to India under EFF/ESAF. He has expressed satisfaction over the pace of India's reforms so far as also over the programme for the future as spelt out by the Indian government. That apart, it is not likely that the IMF's Board will now agree to let India borrow under conditionalities less rigorous than those stipulated for EFF/ESAF loans. Following the well established pattern, stand by arrangements typically cover periods of one to two years with the focus on macro-economic policies. As Camdessus has himself emphasised rather pointedly, a stand-by programme is only the beginning and the Indian government's commitment to open up the economy, effect major structural changes, push ahead with privatisation and ensure more effective use of public resources (a euphemism for cuts in government expenditure, especially public sector investment outlays) "can fit in very well with the kind of strategy we can support particularly under EFF or ESAF". Thus the slippage in some of the technical performance criteria notwithstanding, the IMF is all set to welcome India under the EFF/ESAF umbrella so that the liberalisation and structural adjustment processes can be pushed through even more vigorously.

On the government of India's part, the logic of the economic policies it is pursuing leaves it no option but to make the inevitable transition from the present stand-by arrangement to borrowing under EFF/ESAF, however bitter the consequences of this for the large majority of the country's people. The government's posture of not wanting to borrow under the EFF can be taken seriously only if there were some evidence of its readiness to pursue more independent economic policies which would reduce the need for exceptional financing from the multilateral agencies. In fact, without such a drastic change of economic policies, even the additional funds pumped in under the EFF will not resolve the structural imbalances in the economy. After all, despite a $ 5 billion borrowing under the same EFF in 1981-82 and despite the windfall of a sharp rise in domestic petroleum production, it did not take very many years for the Indian economy to find itself back to square one in terms of having to knock at the IMF's doors to be bailed out all over again.

POLITICS

Creating Space for Fanatics

DEMOCRATIC rights have always been a scarce commodity in India for ordinary citizens But they are generously offered by the state to fanatics of all shades - communal, chauvinist, xenophobic, obscurantist Their 'democratic' right to propagate venomous prejudices against minority communities, indulge in all sorts of parochial caprices, and organise communal riots, is indefatigably defended by the executive, the police, the judiciary — and, on certain occasions, even by politicians of all hues Anyone daring to exercise the constitutionally guaranteed right of expressing any opinion that may be different from that held by these fanatics is immediately hauled up by the state

We thus watch the curious spectacle of the Shiv Sena chief Bal Thackeray enjoying all immunity against prosecution despite his repeated nonchalant avowal of his followers' participation in the Bombay riots Yet when an innocuous article appears in a weekly reiterating old historically recorded facts about Shivaji, the government immediately clamps a ban on the publication—to the satisfaction of the Shiv Sena It seems that the state government of Maharashtra has handed over to the Sena the right to administer affairs in the film world there It decides which actor or actress should be debarred from productions, according to the Sena's perceptions about their degrees of patriotism, or lack of it! It can not only dictate terms to the producers and directors, but can also stop the exhibition of any film which may have an actor who is not acceptable to the Sena

The anxiety to protect the 'democratic' rights of communal organisations like the Shiv Sena is not peculiar to the state government of Maharashtra Take Uttar Pradesh, which is now under central administration Soon after the demolition of the Babri mosque (carried out under the direct supervision of the then BJP government there), the 'kar-sevaks' were allowed to install some idols on the spot A brick structure is now coming up there to protect those idols, with the administration going out of its way to permit the construction—thus paving the way for the Sangh parivar's ultimate plan to build a temple there Whenever the Naxalites in some obscure village of Andhra Pradesh build a memorial for their martyrs, the ever-alert administration immediately sends the police to demolish it But in Ayodhya, the Sangh parivar is given a free hand to demolish an ancient historical monument, and replace it with some structure to mark the fictitious birthplace of an imaginary hero

The judiciary has not been far behind in indirectly lending credence to what appears to have become a national duty to uphold the 'democratic' right of all those who swear by the mumbo jumbo of Hindutva In Uttar Pradesh, the court was reported to have expressed its anxiety to provide a firm roof for the idols in Ayodhya In West Bengal, the court overruled the state government's ban on the BJP' rally and allowed the Sangh parivar leaders (most of whom belonged to the banned organisations, RSS and VHP) to address a public meeting In Orissa, the court has issued orders on the Cuttack administration to open the lock put on the office premises of the VHP there The honourable judges, of course, quoted laws in defence of their judgments

Our ambiguously worded legislations always provide loopholes for hair-splitting sophistry But is it just coincidental that such casuistic interpretations of the laws are opening up legitimate space for exactly those forces which by all standards are fascist?

GOVERNMENT FINANCES

Blaming the States

IT is a standard practice now for the *Economic Survey* to cover in its review of fiscal developments during the year not only the finances of the centre but also the finances of the states and union territories Following this practice, the *Economic Survey 1992-93* includes a section on the latter, which starts with these words "There was a sharp deterioration in the finances of the states and union territories in 1991-92 with the combined budgetary deficit touching Rs 1,896 crore as compared to only Rs 139 crore in 1990-91" Does this statement really stand scrutiny?

What the authors of the *Economic Survey* have done is to compare the revised estimates of budgetary deficit for 1991-92 with the actuals for 1990-91, overlooking the fact that there could be considerable divergence between the actuals and revised estimates for the same year To illustrate, the revised estimate of deficit for 1990-91, for the states alone, was Rs 429 4 crore (as against the budget estimate of Rs 1,742 6 crore) The combined actuals for states and union territories turned out to be less than a third of the revised estimates. It should be added that the ability of the states to actually incur deficit depends very much on the willingness of the centre to release ways and means advances to the states and bears little relationship to what the states provide even this account while preparing their budgets It is, the authors of the *Economic Survey* seem to have ignored, inherent in the budgeting exercise of the states and union territories, more than that of the centre itself, that the actuals are far below the budget and revised estimates Any judgment based on such faulty comparisons is seriously flawed and is bound to be overdrawn one way or the other.

But deterioration in state finances, even going by the actuals, will have to be assessed with far more caution than seems to have been exercised in the latest *Economic Survey*, which is obviously in a terrible haste to take whatever credit it can for central transfers to the states to reduce the gap between current revenue and total outlay The increase of Rs 13,998 crore between 1990-91 and 1991-92 (RE) in the current revenue of the states and union territories is attributed "almost entirely to an increase in grants from the centre and the states' share of income tax and union excise duties collected by the centre". The budget documents of the centre do not, to say the least, bear out this claim

Between the two years, the actual amounts transferred to states and union territories by way of grants declined by Rs 81 crore and those by way of share of income tax and excises increased by Rs 2,662 crore, the net increase in revenue account transfers was thus Rs 2,581 crore, that is, 18 per cent of the increase in the current revenue of the states and union territories Assuming that the actuals did not fall far short of the revised estimates of their total revenue receipts in 1991-92, it is clear that the bulk of this increase was secured by the states and union territories on their own steam

Why were the authors of the *Economic Survey* in such a hurry to make these untenable claims when they must have had available to them the figures of actual transfers effected to the states and union territories? Obviously to cover up the fact that the centre's own tax effort measured as a proportion of GDP left so much to be desired

HEALTH

Dark Areas

AMONG the important sectors which will be affected by structural adjustment programmes, directly and indirectly, will be health This is not only because financial allocations for the health sector in general are going to fall, but also because the deteriorating socio-economic conditions for the majority will generate an increased demand for health services. However, if appearances are to be kept up, attempts must be made to prescribe a cure for the ailing health system and this is just what

the World Bank has done. In a recent review of the health sector, the World Bank is at pains to point out that health and family welfare have received a declining share of total spending after 1970 with a 'precipitous decline' after 1980. Taking the central budget of 1992-93 as a 'first test' of the government's interest and ability to respond positively to adjustment, the review professes to have been shocked to find that the allocation for health had remained more or less unchanged from the previous year's. In fact taking into consideration the special assistance of Rs 80 crore for the AIDS programme, the central allocation had actually dropped and budget cuts of up to 40 per cent had been made in vital programmes like malaria eradication, whereas the allocation to programmes with few 'externalities' had risen at the expense of those which benefit the poor. On a self-congratulatory note it goes on to point out that the finance minister was prevailed upon to 'adjust' the health allocation upwards. The review's prescriptions for a healthier future include: strengthening the health budget and doubling allocations to endemic disease programmes; improving equity and targeting externalities, that is restoring cuts to disease programmes which affect large numbers; defining an effective package/standard of input to primary level institutions, protecting capital investment by ensuring maintenance budgets; improving cost recovery from the affluent for hospitals (currently less than 1 per cent of the cost is collected from patients and this should be increased to 20 per cent); and enhancing private sector effectiveness by adequate quality control.

What has been the impact of this advice on the central budget for the health sector in 1993-94? The total plan and non-plan allocation for 1993-94 is Rs 2,060.47 crore, an increase of 15.4 per cent over the revised estimate for 1992-93 and 31 per cent over the budget estimate for that year. This represents a minuscule 1.58 per cent of the total estimated plan and non-plan expenditure of the centre. Although central allocations for health comprises only about 6 per cent of the total public expenditure on health, they set a trend motivating state spending. Moreover, the central allocations go to epidemic disease programmes which have large externalities. The current budget thus shows no signs of a change in perspective. Slightly more than 62 per cent of the total (Rs 1,280.72 crore) goes to the family welfare programme. It has often been pointed out that this causes a distortion in priorities which goes beyond the expenditure figures. Family welfare (earlier family planning) has continued to take an increasingly large share of the total central budget allocations for health—rising from 1.5 per cent in the First Plan to 49 per cent in the Sixth Plan. Family planning comprised 1.8 per cent of the total allocation for all sectors in the Seventh Plan. In the current budget 2 per cent of the total has been earmarked for family welfare, the same as in 1992-93.

Of the total health and family welfare budget, epidemic disease programmes account for 15.4 per cent. Of this, the major portion, about 29 per cent, goes to the National Malaria Eradication Programme (NMEP) and 23 per cent to the National AIDS Control Organisation. The World Bank review points out that the budget cut in the health sector has particularly affected disease control programmes, with the NMEP suffering a massive reduction. The allocation in the 1993-94 budget does mark a restoration of the cuts made earlier, but hardly reflect any awareness of the seriousness of the spreading incidence of malaria. Similarly, although the allocation for the TB control programme has almost trebled over 1992-93, it only comprises 11 per cent of the public health budget. And this when the *Economic Survey* acknowledges that an estimated 1.5 per cent of the total population is currently affected by the disease. Clearly, if this is the situation after so many decades, it would mean that the programme has been inadequate and weak and requires strengthening. Interestingly, while the *Economic Survey* has also shown concern over leprosy, pointing out that 2 million people are estimated to be suffering from the disease, the proportionate allocations for the programme has remained static at 11 per cent of the public health budget and it is the only programme which has not been allocated increased funds over the revised estimate of 1992-93.

A point worth mentioning here is that public health expenditure comprises only a small proportion of total expenditure on health. One study indicates that the per capita private expenditure on health is 10 to 15 times that spent by the state and accounts for 7.6 per cent of total household consumption expenditure. This trend of increasing private expenditure on health is bound to gain strength, especially if World Bank prescriptions of cost recovery in health are followed.

SPECIAL 301

Well-Timed Bullying

IT is remarkable how the US and the rest of the western world together with Japan have penetrated the markets of the developing countries and of eastern Europe, including the erstwhile USSR. To achieve this they have exploited every multilateral and bilateral forum to their advantage. Their dominance of the boards of the World Bank and the IMF has been used to browbeat the developing countries into accepting a patently iniquitous world economic order. And having achieved their goals in the international product markets, they have shifted their attention to trade in services, to trade-related investment measures (TRIMS) and to trade-related intellectual property rights (TRIPS). The US has been particularly concerned about these areas and, finding some important developing countries such as India and Brazil somewhat hesitant to fall in line, it has adopted aggressive postures. Thus came the Super 301 and Special 301 under the US Omnibus Trade and Competitiveness Act of 1988 and the threat of naming countries in the 'hit list' under these provisions with the objective of forcing them to enter into negotiations and eventually accept the US demands.

It cannot have escaped the notice of the US and the other developed countries that opposition is building up in India to the country accepting the Dunkel Draft proposals, particularly those relating to TRIPS and, among them again those dealing with patenting of food, medicinal, agricultural, horticultural and bio-technology-related products. While the bureaucracy and the political leadership in the country have blown hot and cold on these issues right from the start of the GATT negotiations, the opposition from farmer interests and from the progressive intelligentsia has certainly made an impact.

The Indian Patents Act, 1970 has stood the test of time in striking a balance between investors' interests and societal concerns. The provisions under the Act for grant of only process patents for food, medicines, drugs and bio-chemical substances and for denial of patents for atomic energy, agriculture and horticulture have been shown to be necessary for the country at its present stage of development. It is well known how today's advanced nations, when they were at the developing stage, resisted product patents or did not have patent laws at all. Actual experience across countries has brought out that prices of generic drugs have invariably remained much lower than those of patented products. And introducing patentability into agricultural and horticultural products, in which many MNCs have acquired a dominant position, will have serious consequences for a still predominantly agricultural economy such as India's.

Precisely when opposition is building up in India to the Dunkel Draft, the US has once again named India as a 'priority foreign country', along with Brazil and Thailand, under the Special 301 provisions of the Trade Act on the ostensible ground that not enough progress has been made over the past one year towards providing effective patent protection in India. The objective seems to be to force India to tone down its position in the GATT negotiations on TRIPS. Against this background, the government of India is not confronting the basic issue when it asserts, by way of a response to the US action, that multilateral forums, such as the GATT, are the best means for resolving such disputes. As it is, the government lost more than half the battle when it, along with China, caved in and agreed in the first place to negotiations on services, TRIPS and TRIMS as part of the GATT system. But even at this late stage it is necessary to take a clear position that the provisions of the present Indian law regarding patenting of agricultural and pharmaceutical products are not negotiable, whether bilaterally or multilaterally.

INDIA-PAKISTAN RELATIONS

Nuclear Brinkmanship?

A correspondent writes:

SEYMOUR HERSH is not a stranger to the Indian public. Whether or not one accepted the results of his investigations into the existence of a CIA mole in Indira Gandhi's cabinet, it goes to his credit to have exposed the fact that the CIA had access to the goings on at the highest level of decision-making in India.

Now Hersh has come out with the disclosure that when, in mid-1990, the Bush administration dispatched Robert Bates, the deputy national security adviser to the US president, to Pakistan and India on an urgent mission, it was only after it "became convinced that the world was on the edge of a nuclear exchange" between the two countries. One of the key informants of Hersh was a former CIA officer, Richard V Kerr, who "co-ordinated the intelligence reporting in May of 1990". According to Kerr: "It was the most dangerous nuclear situation we have ever faced... It was far more frightening than the Cuban missile crisis."

Still the Bush administration had then formally debunked reports in the US media of an India-Pakistan nuclear crisis as exaggerations. Why? Hersh's explanation is that the US intelligence community has been haunted by the fact that "the Reagan administration had dramatically aided Pakistan in its pursuit of the bomb" by turning a blind eye to "illegal Pakistani procurement activities"—and those too mainly in the US itself. That the CIA was engaged in what Hersh refers to as "constant spying" in India as well as Pakistan is fully documented. US analysts had concluded in the mid-70s that India had gone nuclear. As for Pakistan, the CIA had "a complete set of floor plans for an ambitious uranium enrichment plant at Kahuta". And once Kahuta was operational, it "found a way out to obtain first-hand information, in detail, about nuclear weapons work there". Another facility, this one for manufacturing weapons grade enriched uranium metal near Islamabad but not at Kahuta, was also known to CIA. And despite all this information, the Reagan and Bush administrations continued to certify Pakistan as non-nuclear. So how could the Bush administration all of a sudden admit publicly that India and Pakistan were on the verge of nuclear war? And that too when the CIA information, based on its monitoring of the movements in and out of Kahuta and other facilities, especially the one in Baluchistan, led it to the conclusion that Pakistan was readying for a first strike. Hersh reports an American analyst who participated in White House 'situation room meetings' as saying: "We thought the reason for the evaluation of Kahuta was that they expected a retaliatory attack by India, in response to a Pakistani first strike."

Whether or not a nuclear war between India and Pakistan had been so imminent in mid-1990, Hersh does establish one point, namely, that the situation did seem to the US watchdogs of the scene on this subcontinent to be leading to such a conflagration. It also appears that during this period not only was India having a rather weak administration headed by V P Singh, but also in Pakistan the administration of Benazir Bhutto was flagging and security decisions had more or less been pre-empted by Ghulam Ishaq Khan, the president, and his trigger-happy army chief, General Beg.

Now once again the subcontinent faces a situation in which Ghulam Ishaq Khan has taken over the reins of power in Pakistan with an army chief of his choosing at his beck and call. In India the government of Narasimha Rao is getting weaker by the day, thanks to the internal party dissensions in the Congress and the continuing economic stalemate. Given that both countries possess a nuclear strike capability, should we not be worrying about the likelihood of a mid-1990-like scenario building up again? Of provocations there is unlikely to be any lack on either side. The Bombay blasts need not be the last episode of the suicidal game.

TWENTY YEARS AGO

EPW, April 28, 1973

Whatever be its influence on the governance of the country in the years to come, the case involving the 24th, 25th and 29th Constitutional amendments, on which the Supreme Court pronounced judgment on Tuesday, has already shaken up the Court's statistical records. The case was heard by 13 judges, the largest bench ever of the Supreme Court, and the 69 days of arguments made the hearing the longest ever in the Court's history. The counsel for the petitioners argued for 33 days, the counsel for the Kerala government for 22 days and the attorney-general for 10 days. In all 93 lawyers were retained by the various parties, including several state governments. The joint and several judgments of the judges apparently ran into 1,240 foolscap pages. The one figure that is not available yet is that of the total cost of this many splendoured legal battle to the private parties, to the various governments and to the Court. It is to be hoped that some cost-benefit enthusiast will shortly undertake the necessary calculations.

It has been claimed that as a result of the Court decisively reversing its earlier ruling in the Golaknath case, parliament's "sovereign power" to amend the Constitution has been restored. This is one aspect of the Supreme Court's verdict... Another aspect.... While acknowledging parliament's right to amend the Constitution, the court has nevertheless kept to itself sizeable authority to sit in judgment on the constitutional amendments that may be actually enacted by parliament. This is evident in regard to three issues at least.

First, nine of the 13 judges have ruled that while under Article 368 parliament may certainly amend the Constitution, the article does not "enable parliament to alter the basic structure or framework of the Constitution". What exactly constitutes the basic structure and framework of the Constitution has been left to be decided by the Court as and when the occasion arises.

The second area retained for judicial review by the Court relates to Article 31 (C) of the Constitution introduced through the 25th amendment. Under the first part of this article, which has been unanimously upheld by the Court, no law giving effect to the Directive Principle of the Constitution dealing with control and ownership of the material resources of the community so as to subserve the common good and so as to prevent concentration of wealth and means of production shall be deemed to be void in the ground that it abridges or takes away the Fundamental Rights mentioned in Articles 14, 19 and 31. However, by a majority of nine to four the Court has declared invalid the second part of Article 31(C).

Third, by a majority of 8 to 5 the Court has decided that in the case of acquisition of private property by the state, though the word "amount" has been substituted for "compensation" in Article 31(C) through the 25th amendment the "amount" should still bear a reasonable relation to the value of property acquired and must not be "arbitrary" or "illusory". To that extent the objective of the 25th amendment to put compensation for private property acquired by the state beyond the pale of judicial review has been at best only partially fulfilled.

Bharat Zinc

BHARAT ZINC is promoted by the Guptas, Hari Mohan, Madan Mohan and Rajiv Mohan, who own the daily *Dainik Jagran*. It is setting up at Mandideep in Madhya Pradesh a Rs 7.83 crore project with a capacity of 2,800 tonnes per annum of electrolytic grade zinc and 4,253 tonnes per annum of GOB zinc metal. The project cost, appraised by the IFCI, was originally placed at Rs 4.70 crore in March 1991, but was revised to the present figure in December 1992. It is to be met with equity share capital of Rs 4.62 crore (promoters' contribution being Rs 1.14 crore) and Rs 3.60 crore of loans from the Madhya Pradesh Audhyogic Vikas Nigam. The company already has on books a paid-up share capital of Rs 1.50 crore. It is issuing now 31.20 lakh shares of Rs 10 each at par, offering out of this 12 lakh shares to the NRIs and the balance 19.20 lakh shares to the public. The issue opens on May 3 under SBI Capital Markets and IFCI as lead managers. The company is to procure 40 per cent raw material requirements from indigenous sources and import the rest 60 per cent from the US, Germany and Canada. Sulphuric acid is to come locally. IFCI has projected for the company sales of Rs 31.07 crore at 60 per cent capacity utilisation for 1993-94, Rs 36.25 crore at 70 per cent capacity utilisation for 1994-95 and Rs 41.43 crore at 80 per cent capacity utilisation for 1995-96. Net profit is estimated for the respective years at Rs 1.79 crore, Rs 2.08 crore and Rs 2.43 crore. EPS is placed at Rs 3.87, Rs 4.50 and Rs 5.25 respectively for the three years, while the IFCI has estimated dividend at 20 per cent for the very first year.

Aircommand Airtechnics

Aircommand Airtechnics is another venture by the Panthaki family in Gujarat in the area of portable airconditioners after Aircommand India which came in the market in April 1991 for its Rs 6.50 crore project. There is a third company, Aircommand International, which caters to exports, and which has plans to go into shrimp farming and production of animation films. Aircommand Airtechnics is to use the same brand name of Aircommand India for its airconditioners. It is engaged since incorporation in the year 1984 in trading in airconditioners and components. From trading, it is now going into manufacture of airconditioners. Its project is appraised by Bank of India at Rs 18.35 crore. This is being financed with equity share capital of Rs 15.50 crore (promoters' contribution amounting to Rs 6.20 crore), lease finance of Rs 2.20 crore and unsecured loans of Rs 50 lakh. The project at Waghodia Industrial Estate, Gujarat, is to cover production of 3.25 lakh units of portable airconditioners and 25,000 units of window airconditioners. Trial production is expected in August this year and commercial production is to start from September. BoI projections are Rs 180 crore turnover at 30 per cent capacity utilisation for 1993-94 with net profit placed at Rs 2.80 crore and EPS at Rs 2.80. The company is issuing 1.35 crore equity shares of Rs 10 each at par and offering 88.35 lakh shares to the public on May 4 under Subhash Dalal Financial Consultants as lead manager.

Gujarat Narmada Knitwear

Gujarat Narmada Knitwear is a promotion by Hasmukh Desai as a 100 per cent EOU for export of cotton yarn and knitted garments. Since such exports now fall within the purview of GATT's multifibre agreement, they are regulated by quota system. Initially, Gujarat Narmada Knitwear will be buying export quota from the market at premium ranging from 10 to 15 per cent. It will be only after it establishes its potential that it will be allotted a quota by the government. Capacity in use will be restricted to 40 per cent for the first year and will not be more than 60 per cent till the year 1995-96. Nevertheless, the company has projected a 15 per cent dividend in the very first year. It has been sanctioned a concessional World Bank credit line by Bank of Baroda. BoB has appraised the project to cost Rs 5.98 crore at Panoli in Bharuch district, Gujarat, to manufacture 11.25 lakh kg of dyed fabric and 24 lakh garment pieces annually, all for export. The company expects to explore non-quota markets for exports and has, besides, entered into an agreement with a firm in the UK and another in Canada for marketing its products abroad. The project cost is being covered by a BoB term loan of Rs 1 crore and equity share capital of Rs 4.70 crore of which the promoters are contributing Rs 1.30 crore. The company is issuing 23.90 lakh shares of Rs 10 each at par to the public on May 5 with BoB and Gujarat Lease Financing acting as lead managers.

IPCL

Indian Petrochemicals Corporation (IPCL) will be making a rights offer to its existing public shareholders. A decision to this effect was taken at a board meeting of the company held on April 19. The issue will involve offering a maximum of 2.85 crore equity shares of the face value of Rs 10 each on rights basis at a premium not exceeding Rs 40 per share. The offer is proposed to be in the ratio of one equity share for every five fully paid up equity shares held on the record date to be fixed. However, a minimum of 100 shares will be offered to a shareholder whose name appeared on the register of members as on April 19 and continues to so appear on the record date. For employees who were allotted shares reserved in the issue that closed on November 19, 1992, the offer is proposed to be in the ratio of one equity share for every one fully paid up equity share held. The date of the issue will be decided in due course after all the formalities are completed.

JK

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Trailing the Market

Jairaj Kapadia

THE hitherto wholly state-owned Indian Petrochemicals Corporation is appeasing investors after it opened its doors to the public with a share capital issue it made four months ago at a premium of Rs 150 per share for an aggregate amount of Rs 320 crore. It has now decided to make the investors who had subscribed for that issue and become the shareholders a rights issue of 2.85 lakh shares of Rs 10 each at a premium of Rs 40 per share in the ratio of one-for-five and in a higher ratio of one-for-one to those of the subscriber-shareholders for the earlier issue who were allotted the shares from out of the employees' reserved quota. It is not clear who this category of shareholders whom the IPCL is placating are, but they are more likely to be institutional investors rather than the common public, as institutional investors are usually the beneficiaries picked out for allotment of unsubscribed surplus out of employees' quota of capital issues by the companies. As these are offered rights shares in 1:1 ratio, the average price of their shareholdings is to amount less at Rs 110 as against Rs 142 for the rest of the subscriber-shareholders for the earlier issue.

The IPCL board meeting in Bombay on April 19 decided to make the rights issue at Rs 40 premium clearly to make amends for the high premium of Rs 150 per share at which it had made the public issue four months ago. Since then, against the issue price of Rs 160, the IPCL share has been eroded on the market by 38 per cent to Rs 100 currently, and the management has professed to make good investors' losses by proposing a rights issue at almost one-fourth the rate of premium fixed for the public issue. The rights issue coming close on the heels of the public issue also demonstrates the urgency of funds for IPCL for its massive Rs 3,484 crore integrated gas-based petrochemicals complex at Baroda and the downstream units near Bharuch.

After the proposed rights issue the average price of the shareholdings, because of the premium differential compared with the public issue and the difference in the ratio of rights, is to work out to Rs 110 for those shareholders who got the unsubscribed employees' quota out of the public issue and for the rest of the shareholders to Rs 142. However, this is still more than the current market price of IPCL shares of Rs 100. This, besides, is the present price. What the price might be after the rights issue, it remains to be seen. If it turns out to be still less, even the Rs 40 premium for the rights issue may prove high, just as the Rs 150 premium had for the public issue.

When that rate of premium was fixed by IPCL for the public issue, it was without reference to the market price, as IPCL was then not listed on the stock exchanges. After the issue opened and the share was listed, it was quoted at once at a discount over the issue price. IPCL had then demanded spot trading in the share from the stock exchanges. But that had not helped secure a higher market rating.

The Week's Companies *(Rs lakh)*

Financial Indicators	New India Sugar Mills		Vulcan Engineering		Modella Woollens	
	June 1992	June 1991	March 1992	March 1991	March 1992	March 1991
Income/expenses/profits						
Net sales	2902	2175	1299	705	182	53
Excise duty	314	218	13	5	—	—
Other income	74	35	231	198	165	182
Increase (decrease) in year-end finished stock	277	305	58	78	1	(5)
Raw materials consumed	2253	1815	250	102	120	29
Power and fuel	61	30	5	4	27	25
Other manufacturing expenses	197	167	606	248	43	42
Labour cost	387	315	107	90	115	91
Other expenses	410	318	482	456	43	30
Operating profits	259	148	138	81	1	13
Interest charges	67	48	9	12	8	1
Gross profits	192	100	129	69	-7	12
Depreciation	38	32	7	6	12	13
Profits before tax	154	68	122	63	-19	-1
Tax provision	130	48	63	30	-	-
Profits after tax	24	20	59	33	-19	1
Dividends	14*	14*	21	16	—	—
Liabilities/assets						
Paid up capital	50**	50**	121	109	91	91
Reserves and surplus	751	741	183	140	204	225
Long term loans	66	24	34	54	—	—
Short term loans	749	632	—	42	46	61
Other liabilities	693	482	1492	833	50	42
Gross fixed assets	690	558	165	149	702	721
Accumulated depreciation	377	340	43	34	441	434
Inventories	1513	1090	723	407	48	46
Of which finished goods	1334	1057	157	100	1	—
Receivables	39	83	294	231	53	57
Loans and advances	370	328	266	277	11	12
Cash and bank balances	16	57	388	110	7	16
Investments	53	53	30	30	—	1
Other assets	5	—	6	8	11	-
Total liabilities/assets	2309	1930	1830	1178	392	420
Key financial ratios						
Turnover ratio	1.26	1.13	0.81	0.73	0.46	0.13
Return on sales %	6.62	4.60	8.66	7.99	-3.85	22.64
Return on investment%	8.32	5.18	7.05	5.86	-1.79	2.86
Return on equity (%)	3.00	2.53	19.41	13.25	-6.44	-0.32
Earning per share	5.13	4.28	4.86	3.03	-2.08	-0.16
Dividend (%)	30	30	18	15	—	—
Book value per share (Rs)	170.87	166.60	20.66	17.71	10	10.77
Current market price	52	—	75	-	13	—
P E ratio	10.14	—	15.43	—	-	-

* Rs 20,819 preference dividend. ** Rs 12 lakhs preference share capital

NEW INDIA SUGARS

Rise in Production

Profit before tax of New India Sugar Mills during the year ended June 30, 1992 more than doubled from Rs 68 lakh to Rs 154 lakh. But of this Rs 130 lakh has gone as tax while from the remaining surplus the dividend has been declared at Rs 3 per share, the same as in the previous year. The increased results with net sales improving from Rs 2,175 lakh to Rs 2,902 lakh have been despite average sugar recovery working out lower as compared with the previous year in both the sugar factories of the company at Hasanpur and Sidhwalia in Bihar. But while sugar recovery was lower in the Hasanpur factory at 9.54 per cent (10.2 per cent the previous season), it was the second highest among all of sugar factories in Bihar. In the Sidhwalia factory, however, the average recovery was down by more than one percentage point from 9.26 per cent to 8.24 per cent. The lower recovery was due

to the longer duration of the crushing season (234 days as against 176 days in the previous year) and adverse climatic conditions, according to the directors. In Hasanpur, the crushing season lasted 197 days as against 177 days previously. In both the factories, the quantity of cane crushed was more. In Hasanpur it was 25.17 lakh quintals as against 22.05 quintals during the previous season and in Sidhwalia it was 23.56 lakh quintals as against 18.85 lakh quintals.

Sugar production amounted more to 4,31,778 quintals against 3,95,730 quintals in the previous year with molasses recording an increase from 1,64,590 quintals to 2,22,211 quintals. Quantity of sugar sold also was more at 4,15,490 quintals compared to 3,35,253 quintals in the previous year, although molasses sale registered a drop from 1,90,567 quintals to 1,29,819 quintals. Closing stocks of both sugar and molasses were higher at 2,05,678 quintals and 1,67,870 quintals, respectively, against 1,89,390 quintals and 75,478 quintals in the previous year.

The factories paid a higher cane price of Rs 43.25 per quintal against Rs 41.50 per quintal in the previous year. This was more compared to the statutory price fixed by the state government of Rs 32.12 per quintal for the Hasanpur factory and Rs 29.36 per quintal for the Sidhwalia factory, as against the rates of Rs 27.60 and Rs 24.35 respectively for the two factories for the previous season. The price of levy sugar for the factories of Rs 634.92 was fixed on the basis of the BICP report and was more as compared to the rate of Rs 570.32 which was decided for the 1990-91 season. For the 1992-93 season, against the cane price fixed at Rs 27 per quintal linked to a base recovery of 8.5 per cent last year, the BICP has reportedly recommended a higher price. Sugar production by both the factories during 1992-93 season is likely to be more compared with 1991-92.

VULCAN ENGINEERING

Enhanced Design Capabilities

Vulcan Engineering's profits down the line have worked out higher for the year ended March 31, 1992 in the wake of much improved gross sales income of Rs 1,312 lakh compared to Rs 710 lakh for the previous year, coupled with increase in other income from Rs 198 lakh to Rs 231 lakh. The figure comprises, in addition to the usual 'other income' which amounted more at Rs 41 lakh against Rs 39 lakh previously, engineering, software and service charges received were Rs 112 lakh against Rs 56 lakh, and net work-in-progress in respect of turnkey projects was less at Rs 78 lakh against Rs 103 lakh. In line with the improved working, the company has declared a higher dividend of 18 per cent against 15 per cent for the previous year which covers a higher paid-up share capital of Rs 120 lakh against Rs 109 lakh following the conversion of debentures into equity on October 29, 1991. As the dividend was declared *pro rata* on the equity issued against debentures on conversion, the pay-out has gone up by a modest Rs 5 lakh from Rs 16 lakh to Rs 21 lakh. Profits appropriated to general reserve, on the other hand, have increased by Rs 21.50 lakh at Rs 35 lakh. Reserves and surplus, moreover, include now Rs 36.50 lakh under share premium account following the premium realised on equity on conversion of debentures compared to Rs 28.50 lakh in the previous year. Debenture redemption reserve has amounted to Rs 6.96 lakh against Rs 5.20 lakh in the previous year, while there is Rs 54 lakh under revaluation reserve against Rs 56 lakh in the previous year.

The directors state in their report that the company has been managing available funds to optimum levels so as almost entirely to eliminate dependence on banks and other lending institutions and minimise interest charges. At the end of the year the company had nil short-term loans, long-term loans were reduced from Rs 54 lakh to Rs 34 lakh, and interest charges for the year amounted less by Rs 3 lakh at Rs 9 lakh. And all this while operations progressed substantially.

The major turnkey project at Durgapur steel plant involving design, manufacture, erection and commissioning of a 900 tonnes per day lime calcination plant (the largest of its kind in India) for which an order was received from SAIL amounting to Rs 2,311 lakh was scheduled for completion in December 1992. Among other orders executed was a prestigious one for design and supply of equipment for an automated continuous steel strip plant coating line (first of its type in India) for Shree Precoated Steels. The company ended the year with orders of a value of Rs 4,650 lakh while it carried out itself substantial expansion and modernisation of its design and engineering capabilities enhancing these with computer design facilities. Having achieved a certain degree of expertise in computerised controls and automation for industrial processes, the company is ready to diversify and develop computer-related applications in the field of tele-communications. With its advanced design and manufacturing facilities for the steel, chemicals, glass and other thermal process industries coupled with capabilities for import substitution and of export potential, the company sees its future prospects as very bright.

An order worth Rs 286 lakh for export of a reheating furnace to Indonesia for a steel rolling mill was successfully completed during the year. An order for design and supply of equipment for an automated continuous steel strip galvanising plant to Mexico, amounting to over Rs 200 lakh, is in advanced stage of execution with shipments started in July 1992. The company was expecting to finalise a Rs 400 lakh export order for a 120 tonnes per day capacity of lime kiln to Bhutan under World Bank credit. Export of design and engineering services especially to developed countries is of priority consideration while having set up a full-fledged export division, the company is planning to establish an export-oriented subsidiary abroad. Foreign exchange earnings during the year through export of design and engineering services amounted to Rs 39.93 lakh while the outflow mainly on royalty and foreign travel expenses totalled Rs 13.46 lakh.

At home the company received an order for design and supply of equipment for 600 tonnes per day annealing lehr for manufacture of float glass. This is based on a new technology developed and tailor-made by Stein Heurtey, France, and is the first plant to be installed in India utilising negligible amount of imports. Again, based on Stein Heurty technology, the company has received a Rs 1,150 lakh orders from Lloyds Steel for design and supply of a 150 tonnes per hour walking beam slab reheating furnace for completion during the current year by manufacture almost entirely in India for the first time. This is a landmark achievement for the company.

MODELLA WOOLLENS

Starved of Finance

That the once famous wool top company, Modella Woollens, has gone sick is known. But what is worse is that even as a BIFR case it is not to be growing out of sickness. And this despite the scheme of rehabilitation sanctioned by the BIFR by its orders dated October 31, 1990 and April 15, 1991 having been accepted by Central Bank of India as the funding bank. Let alone funding which it did not provide by declining limited credit facility during the year ended March 31, 1992, Central Bank did not issue the 'no objection certificate' so as to enable the company to obtain working capital from other banks. Following the BIFR's sanctioning the sheme of rehabilitation, the company paid up the entire principal amount of Rs 1.18 crore to its bankers and agreed to pay a sum of Rs 38 lakh as interest on the principal amount at 6 per cent simple interest. While it kept its part of its commitment, because of the attitude of the bank, it was starved of finance to operate the plant viably. And even as it did function partially, the results were adverse. Significantly, there was some assets stripping as gross block declined from Rs 721 lakh to Rs 702 lakh, while losses eroded reserves from Rs 225 lakh to Rs 204 lakh, which is the amount represented now by revaluation reserve.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 17-4-93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	233.8	0.6	6.4	0.6	9.8	13.7	10.3	7.5
Primary Articles	32.3	233.9	0.7	3.3	0.6	7.3	18.1	13.0	2.2
Food Articles	17.4	272.0	1.0	5.4	1.1	12.3	20.2	11.8	1.2
Non-food Articles	10.1	223.7	—	−0.9	−0.5	−0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	245.0	—	14.8	—	14.1	13.2	12.3	3.6
Manufactured Products	57.0	231.6	0.7	6.7	0.6	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992	Variation (per cent) Over Last Month	Over Last Year	Over March 1992[1]	1991-92	1990-91	1989-90	1988-89
Industrial Workers	1982 = 100	242[2]	0.4	5.7	5.7	13.5	11.2	6.5	9.1
Urban Non-Manual Employees	1984-85 = 100	205[11]	—	9.6	6.8	13.5	11.0	6.9	8.2
Agricultural Labourers	July 60 to June 61 = 100	1,058[2]	−0.8	1.9	1.1	19.3	7.5	3.2	11.4

Money and Banking	Unit	Latest Fortnight (2-4-93)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,70,956	10,275 (2.8)	47,973 (14.9)	9,556 (2.6)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,74,907	733	12,477	339	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,19,658	5,386	25,240	4,204	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	24,155	6,432	4,654	−1,527	6,155	10,098	1,915	−149
Deposits of Scheduled Commercial Banks	Rs crore	2,75,952	9,592 (3.6)	40,213 (17.1)	8,805 (3.3)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,55,227	5,081 (3.4)	23,221 (17.6)	4,173 (2.8)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 16-4-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	21,052	2,487	6,661	856	5,385	10,223	−1,383	−795
	US $ mn	6,761	869	1,157	294	746	3,383	−1,137	−854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Oct 92)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	208.3	204.7 (3.0)	198.7 (−0.9)	0.1	8.5	8.6	8.7	7.3
Mining and Quarrying	11.5	215.4	207.7 (3.5)	200.6 (−1.0)	0.8	4.9	6.3	7.9	3.8
Manufacturing	77.1	196.8	195.0 (2.2)	190.8 (−2.4)	−1.4	9.1	8.6	8.7	7.9
Electricity	11 4	278.4	261.7 (4.5)	250.5 (7.9)	8.3	8.7	10.8	9.5	7.7
Basic Industries	39.4	. .	. .	. .	. .	3.8	5.4	9.9	5.6
Capital Goods Industries	16.4	. .	. .	. .	. .	17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5	. .	. .	. .	. .	6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6	. .	. .	. .	. .	10.4	6.3	4.2	6.5
Durable Goods	2.6	. .	. .	. .	. .	14.8	1.7	12.0	7.8
Non-Durable Goods	21.0	. .	. .	. .	. .	9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (Dec 92)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989-90	1988-89	1987-88
Export	Rs crore	4,192	37,329	30,795	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,423	47,480	34,403	47,813 (10.7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	−1,231	−10,151	−3,608	−3,835	−10,640	−7,735	−8,003	−6,570
Exchange Rate									

Employment Exchange Statistics	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	537	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore	. .	. .	3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (−1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

PANCHAYATI RAJ

Karnataka's New Step Backwards

K S Krishnaswamy

The enactment of the new Karnataka Panchayati Raj bill in replacement of the earlier Act of 1983 reveals not so much a commitment to progressive decentralisation as a unanimity among legislative members of all parties to strengthen their hold on panchayati raj institutions.

M Y GHORPADE, the Karnataka minister for rural development and panchayati raj, has these days the air of a person who has fulfilled a mission. He has succeeded in replacing the Karnataka Zilla Parishads, Taluk Panchayat Samithis, Mandal Panchayats and Nyaya Panchayats Act of 1983 by a new Karnataka Panchayat Raj Act of 1993, as required under the Constitution (72nd Amendment) Bill 1991 which has now been ratified by a sufficient number of state legislatures to become an effective Act. His efforts have, further, been symbolically applauded by the Congress Working Committee as a model for other states; and a special session of AICC(I) is to be held at the end of May to discuss this further. No wonder Ghorpade is pleased as punch with what he honestly believes to be a major step forward towards decentralised government.

Purely as a matter of political upmanship, there is little doubt that Ghorpade and Moiley, the chief minister, have won this round. Since his short tenure at the same ministry under Veerendra Patil three years back, Ghorpade had been wanting to 'improve' upon the late Abdul Nazir Sab's original statute on decentralised governance in Karnataka. The local government structure created under that statute was a remarkable experiment in devolving political and administrative authority to zilla parishads and mandal panchayats. Undoubtedly, there was plenty of room for further advance in that direction. But the 1983 Act had a clarity of purpose, viz, "promoting the development of democratic institutions and securing a greater measure of participation by the people in the said plans *and in local and governmental affairs*" (italics added). With this objective in view, its structure and details were built around three basic principles of democracy—(i) that sovereignty vests ultimately with the people who elect the 'government', (ii) that those elected representatives who constitute the government of the day are accountable to the people, and (iii) that no outside functionary, elected or otherwise, has any authority in the area assigned under the Constitution or statutes in force to the "local government". In the 1983 Act, only some of the developmental functions had been devolved to zilla parishads and mandal panchayats; but the promise existed of a progressive transference of the full responsibility of governance—the legislative, executive and judicial functions as applicable to the area under their jurisdiction—to the panchayati raj institutions.

But Ghorpade's new bill marks no advance in any of these respects. Its purpose has in fact been quite different from the very start; and that purpose consisted of ensuring proper control over the functioning of zilla parishads and other panchayat raj institutions. Several of the new regulations in the bill are justified by him as necessary for preventing misuse and misappropriation of funds by individuals elected to office in these local bodies. In addition to tightening the control measures for these purposes, the new bill converts the two-tier system of zilla parishads and mandal panchayats in the 1983 Act into a three-tier set of panchayat raj institutions at the district, taluk and village levels as envisaged in the Constitution (72nd Amendment) Act of this year. The area of operation of the local bodies remains limited as before to development schemes and programmes. All other governmental functions remain with the state government, which will now operate much more openly through its civil servants as a monitoring authority.

When more than two years ago, the late B Basavalingappa and Ghorpade as ministers in charge of panchayat raj in Veerendra Patil's government decided to modify the 1983 Act drastically, they at least had thrown open the subject for general discussion. But this time Ghorpade held everything close to his chest and revealed the full measure of his 'reforms' only at the stage of introducing the bill in the Karnataka legislative assembly at its last session. With its absolute majority in the assembly, the Congress government had no difficulty in securing the passage of the bill. But the Congress Party does not enjoy such control of the legislative council, where the combined opposition could have defeated the amendment. When things appeared as if the bill would be voted down, the chief minister and his minister for panchayat raj got the leaders of the opposition to a special breakfast meeting at which a deal was struck. The deal was that if the opposition helped the ruling party and passed the amending bill now, the Congress Party assured that it would incorporate later on any amendment to the new legislation which would strengthen the process of decentralisation. This assurance, according to the leader of the Janata Dal in the council who is also the leader of the opposition, had been given by the chief minister in the presence of some of his other colleagues and the leaders of other opposition parties!

This entire episode reveals in essence not so much a commitment to progressive decentralisation as a unanimity amongst legislative members of all parties to strengthen their hold on sub-state organisations. It is astonishing that the leaders of the Janata Dal in the two houses of the Karnataka legislature have become a party to the new bill on nothing more than 'an assurance' given by the chief minister and his colleagues at a private conclave over breakfast. If the government intended seriously to fulfil its assurance, such a private understanding should have been formalised by a full statement by the minister in the legislature, specifying the particular amendments to the new legislation which the government had undertaken to carry out after the passage of the bill. There is so far no press report of such a statement by the minister, let alone a press release by the ministry of rural development and panchayat raj to inform the public. A major adjustment in the political structure within the state is not just a matter for the legislators to arrange as convenient to them; it is *par excellence* a matter for public discussion and electoral decision. By treating a matter of such vital importance to the people as something to be settled in a mutually advantageous manner over a cup of tea is worthy neither of the chief minister nor, especially, of the leader of the opposition. It is probably a good business-like way of doing things; but it certainly is not democracy.

Equally worrying are the implications of the new bill. By enlarging the role of the panchayat at the taluk level, and by making the MLA from that constituency the chairman of that panchayat, it has destroyed one of the main purposes of the earlier Act—namely, to enable the local electorate to identify government with the zilla parishads and the mandal panchayats. Similarly in the name of ensuring proper control over village panchayats, local bodies at the taluk and district levels have been assigned monitoring powers over village panchayats which often tend

to be exercised by civil servants in the name of the governments they serve. The chief secretary of the zilla parishad and the deputy commissioner are now required to report directly to the state government. While in the case of the deputy commissioner this has always been the case, the 1983 Act had taken care to ensure (a) that the chief secretary was accountable to the zilla parishad and (b) that he would be senior in rank to the deputy commissioner, so that it would be possible for him to obtain any reports he required directly from the deputy commissioner.

The new bill changes all of this. By reinstating the MLA at the taluk level and giving him greater authority over village panchayats, the principle that village panchayats are accountable to the local electorate and not anybody else is diluted if not totally lost. Secondly, by enlarging the role of MLAs in local bodies at all levels, it reduces the importance of the zilla parishad 'adhyakshas' and other elected functionaries. By changing the status and responsibilities of the chief secretary, the new bill obscures the clarity that should exist between local government officers and state government officers. This has been a considerable problem since the start of the panchavat raj system in 1987; but instead of going further in the direction originally indicated—namely, converting after a period deputation of staff from state cadres to local authorities to increasing the scope for direct appointment of their officers and other staff by local bodies—the present bill is retrograde. With the passage of the new bill, a basic principle that is important in any federal structure, namely, that a person elected to the legislature of government at one tier cannot at the same time and on the basis of the same election be a full member of another elective body, is completely lost. The objective that the new bill fully achieves on the other hand is to restore completely the power and the patronage of the MLAs in their constituencies, which they have all along felt is threatened by the growth of panchayat raj institutions. Ghorpade and the leaders of the opposition parties in the Karnataka legislature have thus achieved a common objective for themselves and their members; the new bill in no way diminishes their authority through decentralised government, notwithstanding whatever Ghorpade says or assures.

Indeed it is highly questionable if the intent of the 72nd Amendment is really the creation of a decentralised polity in India. That amendment, which differs from the late Rajiv Gandhi's infructuous 64th Amendment only cosmetically, is more likely to become an instrument of strengthening the power of the central ministries at the local level *via* the rules and regulations that apply to development activities. It is not accidental that in the 1993-94 budget, the largest increase in the transfer of resources from the centre to the state plans is under centrally-sponsored

THE TATA IRON AND STEEL COMPANY LIMITED

NOTICE

Notice is hereby given under Section 154 of the Companies Act, 1956 that the Register of Members of the Company will be closed from Tuesday, 15th June 1993 to Tuesday, 6th July 1993 (both days inclusive) for the purpose of payment of dividends for the year ended 31st March 1993, when sanctioned.

The Transfer Books of the Company will also remain closed for the aforesaid period.

Notice is also hereby given that the dividends for the year ended 31st March 1993, when sanctioned, will be made payable to those shareholders whose names stand on the Register of Members of the Company on Tuesday, 6th July 1993.

No tax at source will be deducted if the dividend payable to a shareholder does not exceed Rs 2,500/-. Other members whose income is below the taxable limit and who desire to get their dividend without deduction of tax may file a declaration in Form 15G, in duplicate, before Tuesday, 15th June 1993 with the Company's Registrars:-

Tata Share Registry Limited,
Army & Navy Building,
148, Mahatma Gandhi Road,
Bombay 400 001.

Dated this 27th day of April 1993.

By Order of the Board of Directors

(Y. M. Bhangle)
COMPANY SECRETARY

Registered Office:

Bombay House,
24, Homi Mody Street,
Fort, Bombay 400 001.

schemes. The argument used by the centre in defence of this is precisely the same that Ghorpade uses in the case of the local governments, that is to say, to prevent misuse and misappropriation by certain individuals at the state-level. When one puts all these together, it is not accidental that the Congress Working Committee should consider the latest Karnataka bill as a model to be recommended to the other states. And it is symbolic that the full dress convention on this 'march towards decentralisation' should be held at Amethi next month.

There is perhaps a 'covert purpose also. The Karnataka government is under Supreme Court orders to hold panchayat raj elections before the end of June 1993, and nothing has so far been done to fulfil that obligation. Apparently, the breakfast assurance of Moiley's government has been given under duress: it badly needs a fig-leaf to avoid being hauled up for contempt of court when it appears before the Supreme Court next June. Is the new bill, then, basically that fig-leaf?

Coping with Floods in Himalayan Rivers

B D Dhawan

THE Centre for Science and Environment's third Citizens' Report on the state of India's environment titled Floods, Flood Plains and Environmental Myths *has sought to question the view, vigorously propagated by environmentalists, that afforestation of the Himalayas is the sustainable solution to the problem of floods in the northern and eastern plains of the Indian subcontinent.*

INDIA is a country of such continental diversity that one can form contrary impressions or opinions about any of its major characteristics. When a periodic drought occurs, a feeling that nature has been too niggardly in the matter of water endowment comes to many of us. As news of flood havoc in years of excessive rainfall pours in, we begin feeling a sense of tyranny of our water bounty. In between these fluctuating moods, we get occasionally baffled by the seemingly paradoxical phenomenon of simultaneous occurrence of drought and flood in the same calendar year, sometimes in the same state!

It is these extreme oscillations in natural phenomena that give rise to the pertinent question: why cannot the government undertake major water conservation measures, whereby surplus flood waters get effectively stored up, to be used later either in rainless months of the year, or carried over to subsequent years to cope with drought in the main monsoon season? Another related question is: why can't we harness the huge surplus waters of our highly flood-prone eastern Indo-Gangetic plains, presently flowing to the Bay of Bengal, so as to relieve *inter alia* the great natural water scarcity in the drought-prone tracts of the western and southern parts of the country? Though these two questions have not been squarely answered in the third Citizens' Report on the state of India's environment entitled *Floods, Flood Plains and Environmental Myths*,[1] released recently by the Centre for Science and Environment (CSE), New Delhi, yet one can conclude that the CSE's answers to these questions are primarily in the negative. For, its central message for the nation is that it must learn to cope with the periodic flood hazard. In point of fact, the authors are so overwhelmed by their stunning research findings that they dedicate the report to the people who have learnt over the ages the art of living with floods.

CSE's Role

Before elaborating the contents of this signal contribution to Indian research literature on floods, some observations about the CSE itself are necessary. First, the prefatory remarks of the series editors, Anil Agarwal and Sunita Narain, announce the CSE's decision to now transform itself from essentially a compiler-cum-diffuser of ongoing transformations on Indian environment to a policy research body.

It is possibly this change that has emboldened the authors to live up to the image of a researcher, namely, to tell the truth as he discovers it through painstaking research endeavours without fear of upsetting holders of contrary views, however numerous they be. No wonder, this report has caused much dismay and disbelief among those who have for long believed in the 'sponge effect' of forests in eradicating the flood menace. 'Dam the Himalayas with forest cover, not with engineering dams' has indeed been one of the main slogans of those who are opposed to the idea of big dams in the Himalayas, as also elsewhere in the country as well as in the world as a whole. To put it bluntly, the CSE has shown that environmentalists and the Indian media supporting them have been propagating a sheer environmental myth when they plead for afforestation of the Himalayas as a sustainable solution to the flood problem of the vast plains in northern and eastern Indian subcontinent. Little wonder, then, that the report has been coldly received by environmentalist groups. Before long, a critique of the CSE volume too would emerge, in the process enriching the literature in this area. This is an inevitable paradigm of advancement in the research world. Therefore, the CSE ought to take the criticism, bitter or otherwise, in its stride.[2]

The second observation pertains to the CSE announcement about the contents of its future reports on the nation's environment. "We now find that completed chapters go out of date even before we reach half the book. The result is an unending chase to document changing events in an ambitious attempt to produce a comprehensive report...Having gone through a difficult experience over the last five years to produce the third report, chasing events which continue to move with considerable rapidity, we have now decided to publish the third report not as a comprehensive report but as a series of reports on specific issues." The present one on floods is, therefore, the first of this new series.

For an organisation to "move away from journalism into policy research" is a radical transformation, requiring in the first place a sea change in the mindset. Among other things, it demands both patience and perseverance in probing something akin to 'art for art's sake'. It requires a curb on the craving to publicise paradoxical discoveries, striking discrepancies in data base, glaring contradictions, etc, so as to attract public attention. Furthermore, requirements of quality research poses the problem of creating an in-house expertise of specialists in diverse disciplines. Without requisite financial support on a durable basis, not to mention still scarcer resource persons, the quality of research and the substantive content of the subsequent reports may be difficult to ensure. Too much dependence on short-run project support from outside agencies and on outside experts has its own perils.

It would appear that the CSE has largely opted for the latter course in bringing out the present research report. This is suggested by the numerous contributors listed at the place that carries the authors' names. Twenty-six names from the Gangetic-Brahmaputra basins are listed for the concrete inputs supplied by them. ("This report would not have been possible without the support of....") Anil Agarwal and Ajit Chak did both the co-ordination and editing work, and the writing of the report has been done by Anil Agarwal, Neeraj Labh and V A Nambi with the help of additional contributions from Mukul Sharma, Ajit Chak and Sangeeta Synghal. To make a sensible amalgam out of diverse contributions is a hazardous task, more so in the

research world. To guard against the risks of misperceptions, misplaced emphasis, or outright mis-reporting (these risks are unduly high while dealing with an immensely complex resource like water), the CSE might have held a seminar to which select flood water experts (more so from the government bodies which figure adversely in the report) could be invited. The need for this kind of filtration of a compounded research document prior to its publication is all the greater because CSE's reports tend to be read widely and quoted avidly but uncritically, more so by those who happen to be outside the academic portals. This poses the danger that some of its own weak/soft conclusions might become a source of new half-truths, if not outright myths. Let me concretise this point with a pertinent example.

On flood damages, the authors have assiduously compiled yearwise statistics for the period 1953-87, giving the mean value of damage per year plus the maximum value for the worst year. Since they do not adjust for the persistent price inflation that occurred in this period—something that is so routinely done in applied economic research—the entire analysis gets distorted. Assuming that the Indian rupee depreciated to ten paise between the 50s and the 80s, the extent of rise in the value of flood damage would be nearly four-fold, not forty-fold. Because of this neglect of inflation factor, the computation of the mean value of damage per year and the identification of the worst year of flood damage become misleading exercises. Without price adjustment, it is open to question whether the incidence of flood damage is rising over time.[3]

Deforestation Not the Problem

This illustrative criticism is not to detract from the central proposition of this report that is reproduced below in the authors' own cautious wording:

> floods in the plains below the vast Himalayan ranges may not be greatly exacerbated by deforestation. Floods are, in fact, and will remain, an inherent feature of these plains whether the Himalayan mountains are well clad with a green cover or whether they are deforested and barren. The Himalayan mountains constitute an extremely fragile ecological system. They are the youngest mountains of the world and, therefore, highly erodible. They are lashed by rainstorms of an intensity that probably no other mountain system faces. They are extremely seismic, periodically witnessing some of the world's worst earthquakes. Water and silt, therefore, move out of these mountains in explosive waves. Floods and shifting of river courses is, therefore, inevitable.
>
> Deforestation can aggravate the problem but *afforestation cannot get rid of it*. Now this may not be true with other flood plains with different watershed characteristics, hydrological conditions, rainfall parameters and other ecological characteristics. In fact, the information presented in this report leads us to the inevitable conclusion *that the societal susceptibility to the flood problem in the Indo-Gangetic plains has increased more because of the enormous social and ecological changes that have taken place in the flood plains than the changes that have taken place in the higher reaches of the Himalayan watersheds* (p vi, emphasis added).

So what has been amiss (a) with our earlier faith or belief in the role of forests in averting floods, and (b) in our ongoing planning of building multipurpose dams and network of embankments along rivers for containing the periodic floods? The authors provide cogent and convincing arguments/evidence on the futility of constructing river embankments and covering Himalayan slopes, with forest cover as protection against the ravages of Himalayan rivers. The same, however, cannot be said categorically about their negative perceptions about the utility of big storage reservoirs in flood proofing task. Before dwelling on this debatable point, let us grasp the argument as to why the sponge effect of the forests fails to work out fully in the case of the Himalayan rivers.[4] Since there is nothing new or novel about the other argument about the ultimate futility of embankments in the case of rivers with large silt load and volatile fluctuations in day-to-day flows, this aspect needs no more than a passing reference in what follows.

Though rainfall, in the ultimate analysis, is the source of water flows of a river, yet analytically it is useful to distinguish different components of such flows. One component is the 'base' flow which is a sort of minimal flow that is often seen in a river despite the absence of any current rainfall precipitation in the catchment area. This flow originates from some natural storage bodies in the river catchment. Two such noteworthy storage bodies are snow mountains and water held underneath in the soils, including soft rocks and the crevices/cracks of hard rocks. Snow melt and water discharge from groundwater table into a river are the two principal sources of the base flow, which does vary depending *inter alia* upon solar activity and the height of groundwater table above the river bed. Snow melt tends to peak during summer season precisely when groundwater component of the base flow tends to be minimum.

Critical Factors

Occasional breaches[5] in natural lakes formed by landslides blocking the course of a river in its upper reaches with high gradients lead to additions to the base flow. If such a breach is in the nature of a dam burst, it can lead to flash floods in the upper reaches. But most commonly flood in the lower plains of a river basin results from surface water runoff in the wake of a downpour. As this rainfall runoff gets superimposed on the base flow (about 15 to 20 per cent of the mean annual flow), the river swells in size, the extent of swelling depending on the volume and intensity of the runoff water which in turn depend on three distinct factors: (1) quantity, intensity and simultaneity of rainfall, (2) the slope or gradient of the land mass and the relative share of mountainous catchment, and (3) soil depth and soil cover, especially on the hillsides.

Needless to say, these three factors (as also some less important factors not mentioned here) have an interacting impact on the runoff. Thus a rainfall of high intensity (given the same slope of land and soil depth) would still generate lesser runoff when the land is well covered with trees and grasses which blunt the force with which rain drops strike the ground, thereby facilitating its infiltration into the soil. However, the depth of the soil and the porous space within it determine how much (infiltrated) water would get stored up in the soil. Once this storage limit is reached, the subsequent rainfall must *wholly* runoff to the river channel down below, irrespective of the extent of the forest cover. From this point onwards, forests, bushes, grasses and other vegetation no more impede the water runoff phenomenon. Such flora, however, do continue to impede the other runoff phenomenon, namely, soil erosion from land surface, better known as *sheet* erosion which has to be distinguished from other kind of soil erosion, such as hillsides toppling over in the shape of big land slips or landslides that block, partially or wholly, stream channels.

It is this thickness (and porosity) of the weathered soil on the mountainous slopes that essentially determines how much of the rainfall will be stored up ('dammed up' in Sundar Lal Bahuguna's terminology) in the upper, hilly catchments of a river basin. Thus the sponge effect of vegetative cover tends to diminish as one moves up a hillside because depth of soil diminishes from bottom valley to the hill top. Likewise, the sponge effect tends to be inversely related to amount of rainfall. In other words, afforestation or integrated watershed management programme is likely to prove *ceteris paribus* much more effective in conserving water *in situ* in low rather than high rainfall, hilly terrains.[6] It is this perception or experience about low rainfall tracts that has probably sustained the widely-held view of forests functioning everywhere or universally as sponges for absorbing rainfall which would otherwise end up as floods in the valleys and the plains down below.

In passing, it may be pointed out that runoff of surface water can occur even before the porous space is fully saturated with infiltrated rain water. The likelihood

of such a phenomenon is all the more when intensity of rainfall is high, that is to say, when rainfall drops come in intense succession in a short span of time. When this intensity is low, rainfall infiltration occurs in a smooth fashion. That is to say, infiltrated water, pulled by the force of earth's gravity, has enough time to travel[7] inside the porous voids of the weather mantle of the earth.

Not only the rainfall but also geologic conditions of the Himalayas are unfavourable for effectively arresting, through afforestation, the soil as well as water erosion. True, the storage space for rain water here at places is often unusually large owing to much less compaction of soils having occurred in the Himalayas. But this looseness of soil militates against the stability of the hillsides once these get impregnated with infiltrated water inside their bodies or bowels. In the absence of solid, rocky walls to hold back such stored waters, two things happen. First, subsurface runoff occurs in a big way, carrying with it both the infiltrated water *and the loose soil*. That is to say, we have a case of leaky storage, the leaks becoming gushing muddy subterranean channels owing to the force of earth's gravity, ending up finally into surface streams at the valley floor.[8] Second, the phenomenon of landslides and toppling of hillsides into surface streams is hastened by the inner movements of silt/debris-laden water. So the more we promote rainfall infiltration via vegetative covering of the hillsides, the greater the danger of landslides toppling, more so in a seismically active region like the Himalayas.

The authors of the report underscore the surface hydrology, geology and hydrogeology of the Himalayas in order to bring home the following crucial point. "Landslides contribute more to soil loss in the Himalaya than surface erosion. Deforestation is often blamed for landslides, but forests can only inhibit shallow landslides. They have little effect on deep landslides" (p 40). When heavy rainfall over a two- or three-day period occurs, there is neither enough time for infiltration of rain water into the soils nor is there enough soil depth in hills to store such huge quantities of water even in geologically compacted mountains. Storing 82 cm of rainstorm of September 18, 1980 (as occurred, according to the report, in central Himalaya over a two-day duration with its centre at Nagina in Bijnor district of Uttar Pradesh) requires 4 to 5 metres thick *dry soil* which is almost an impossibility at the fag end of a monsoon season.[9] No wonder, such intense rainstorms produce devastating swelling in river flows. For instance, the three-day rainstorm of late September of 1924 in the western Himalayas (Simla-Kumaon hills) gave rise to the following consequences:

> The Yamuna catchment up to Tajewala received heavy rains during the first two days. A peak discharge of 14,000 cumecs (about half lakh cusecs) passed down Tajewala headworks on September 28 and 22 km upstream the Yamuna at Paonta rose by 13.1 m (about 45 feet) on the same day. Four days later, on October 2, the water level rose by 0.94 m above the danger level at Delhi railway bridge. Hundreds of people and thousands of head of cattle were washed away in Dehradun, Saharanpur, Ambala and Karnal districts (p 33, box item titled 'Rains of Terror').

Why Not Storage Reservoirs?

We might rightly ask at this stage: why not create man-made storage reservoirs to hold back the flood waters? This is indeed a sensible idea, which has been not well explored in the report. There are techno-economic limits to this option.[10] First, rivers cannot be dammed usefully once these have emerged from the hills onto the flat or deltaic plains. Low height dams here do not create any worthwhile storage of flood waters in high rainfall basins. On the other hand, construction of high dams here would submerge very large tracts of valuable land with many human settlements. Roughly speaking, each hectare of land area benefited with irrigation from such stored waters would mean another productive hectare of land going under the reservoir, not to mention the large-scale uprooting of masses on these high density lands. It is only in the hilly portion of a river basin that the ratio of submerged land to benefited land can be kept at tolerably low levels. Typically, a big dam in India submerges land equal to 5 to 10 per cent of the benefited land, whereas a small dam, like the ones used in south India for tank irrigation, submerges area equal to 15 to 20 per cent of the land it benefits.

Second, dam sites for erecting big dams are naturally rather scarce. Because of this scarcity dam engineers are tempted to build mega dams on a few dam sites identified through survey and investigation work in a river basin. However, this temptation is greatly tempered by technical parameters (rock geology, hydrology, meteorology, soil characteristics, etc) on the one hand and socio-economic factors on the other. If a dam site can sustain a huge reservoir both technically and socio-economically, why not build one to have the maximum multipurpose benefits of flood control, hydel power generation, irrigation, water for industrial and municipal uses, etc? The Hoover dam on the mighty Colorado river in the US is a good example of such a mega reservoir that can store *three times* the normal or average annual flow of that river. This widely acclaimed feat of American engineering of the 20th century[11] effectively stores up most of the above-normal flood waters, as do most other big American dams which are designed with storages far higher than the mean annual flows of their rivers.[12] Such dams truly 'kill' a river in the words of Baba Amte, the veteran opponent of the big dam idea on the sacred Narmada river, that is to say, these mega dams fully harness river water resources for economic prosperity, allowing little loss of river water to the seas.

In contrast, few Indian reservoirs are so designed. These are mostly designed on '75 per cent dependability' basis, whereby their storage is inherently incapable of impounding any above-normal inflows into them. Owing to this, their managers are forced to let out such excess inflows through the dam spillway system, only to be berated in public fora for aggravating the flood problem instead of controlling it. The authors of the study under review too harbour such misgivings, writing as they do in bold letters on the billboard page preceding each chapter the categorical sentence that "dams have become an important cause of floods" (page before chapter 1).[13] In what follows the Damodar Valley (DVC) case is taken up for an instructive analysis of why dams can occasionally aggravate the flood menace in the Indian conditions.

DVC Experience

The DVC project, consisting of a few big dams and a strong component of soil and water conservation programme in the upper erodible reaches of the Damodar river Basin, is patterned after the famed, multipurpose Tennessee Valley project (TVA) of the US, with flood control as one express objective, to achieve which a part of the storage behind dams is *exclusively earmarked* for flood water storage. With such an allocation of storage capacity, the conflict between economic uses (irrigation, power generation and navigation) and flood control gets eliminated. But unfortunately the DVC management has not been allowed to use this earmarked storage. Why? Because the state administrations of this inter-state project have been unsuccessful in fully completing the task of shifting many of the dam oustees from the reservoir areas. These unshifted oustee villages, located at higher elevation in the catchment area, would be submerged in the reservoirs if the reservoirs are filled up to the full dam heights. As a result, excess inflows in years of exceptional rainfall (in amount as well as time of the year) have perforce to be let out, though these can be impounded provided the DVC management is enabled to utilise the hitherto *unutilised* flood storage capacity of its system. This brings us to the pertinent question as to why the state administrations, under the aegis of the state politicians, fail to carry out the eviction task as per the original project plans. Thus we come face to face with the socio-economic factors that have a great bearing on the decision about the size of a big dam to be built on a given dam site.

When population density is low, land (including forest land) resource is plentiful in relation to population resource. In such favourable resource endowment, costs on account of land submergence and the resultant dislocation of human populations by big reservoirs tend to be low. For instance, in the US some reservoir sites were totally bereft of human settlements, as in the case of the Hoover dam, the highest dam in the world (till the construction of Naurek dam in the former Soviet Union). In other sites, the unfortunate dislocated people could be easily relocated on a land-for-land basis and that too very near their original places of habitation. It is thus not surprising that mega dams, with storages capable of impounding even exceptionally high inflows, are the order of the day in the US.

But these circumstances do not prevail in densely populated nations like India where the number of dam-disrupted persons is usually sizeable and convenient alternative locations for their rehabilitation practically non-existent. As a result, these persons are very adversely affected by the development of dam-based irrigation/power projects. Hence one encounters widespread opposition to the proposed big dams on mighty rivers like the Ganga and the Narmada. In a way, this opposition brings poignantly home the meaning of the great rider on cost-benefit analysis, namely, whose costs and whose benefits?

Economic theory offers no satisfactory solution to this intractable problem; economists here offer mere sops in the form of financial compensation to the dam oustees. As the ability to handle finance of the low-educated poeple living in great isolation from the mainstream is fragile, they are, by and large, unable to restart life once they are uprooted from their original environs.[14] This is one inhuman face of the development process that has dismayed many a sensitive soul.

In an engineer's calculus of the height of a dam, the benefits of a multipurpose dam *ceteris paribus* increase much faster than the proportionate rise in the dam height almost in an accelerated manner (i e, the relationship is non-linear, probably quadratic).[15] But so is the relationship between land submergence/number of affected persons and the dam height. Thus, the more the multifarious benefits we attempt to confer on villages and towns on the *downstream side* of a dam, the higher become the costs of submergence and dislocation on the *upstream side* of the dam. It is a well known geographical fact that the density of population, when already high, tends to rise as one moves away from the *flood zone* of a river basin. This crucial factor militates strongly against Indian dam-builders desire to emulate their American counterparts in building mega reservoirs, each with a storage capacity well above the annual flow in a river. The DVC failure to utilise the flood storage spaces in its dams is to be understood in this aforesaid social milieu of the country

Dams and Floods

Let us return to the issue of dams being a cause also of floods. As a multipurpose dam comes up on a river in a given region an impression goes round that floods would become a thing of the past on downstream side of that dam. The impression is fostered both by the engineering fraternity and the regional politicians, irrespective of whether flood control is a specific objective in building the dam. This encourages land-hungry populations to begin settling down in the *flood zone* area of a river basin.

Even when there is no express provision for storing flood waters in the reservoir, the extent of which *a part* of the flood waters originating on the upstream side of the dam are held back in the reservoir for irrigation and hydel generation, it reduces the flows to the downstream plains, thereby reducing the area of flood zone. But people moving into the flood zone for settling down permanently have no idea where exactly the new boundary of the diminished flood zone lies. The resource-poor among them, and more so those who are already eking out a precarious living out of the *khadar* lands of a river, tend to overspill, knowingly or unknowingly, into the newly defined (but undelineated by any government agency) flood zone area. These people suffer not only in the event of even a normal flood in the river, but most devastatingly (in life, cattle, standing crops, assets, etc) from an exceptional flood. The situation is best summed up by the proverbial saying: deed has in it the seed of destruction. The partial security against floods afforded by a dam becomes a means of destruction for the unwary.

This spillover or encroachment into the flood zone of rivers, especially in the Gangetic plains, has been occurring ever since the density of population has been rising inexorably. It is this population-pressure-related encroachment of the flood zones that is the root cause of rising flood-related losses (even when nominal values are adjusted for price inflation) in India.[16] Disaster management experts in general and Indian geographers in particular have been urging the centre in vain, time and again, to enact flood zoning laws. Can governments meaningfully enforce such laws in the face of a burgeoning population for which opportunities for gainful absorption are lacking in both agricultural and non-agricultural occupations outside the flood zones?

Because of our socio-economic compulsions we cannot build mega dams that can truly hold back both the exceptionally high water inflows and vast quantities of silt and debris following the occurrence of intense rainstorms at the fag end of the monsoon season. With extra storage for water as well as for silt and debris, the multipurpose mega dams provide not only surer and greater economic benefits but also provide these on a far more sustainable basis. We have perforce to do without such mega dams. As a matter of fact, we actually need to scale down a bit the heights of our planned dams, so as to keep the serious problem of dam oustees within manageable limits. Such scaled-down dams would still remain big dams but with substantially reduced economic benefits and flood prevention role. Even so, these could help in combating the flood menace to some extent. In point of fact, the administrative back-up needed for the recommended CSE option of living with the floods in the Himalayan river plains would be much more exacting without (a) some big dams, (b) selected afforestation programmes, (c) massive integrated watershed programmes and (d) selective embankment and river training investments. Without the component (a), living with floods would be horrid. Therefore, we need to look afresh at the CSE-ruled out option of big dams in the Himalayas, without over-reacting to the seismic hazard posed by such dams.

Notes

1 It is available, both in paper back (Rs 150) and hard bound (Rs 350), from the CSE.

2 A telephonic conversation with Anil Agarwal on April 22, 1992 (after he had been sent the first draft of this paper three weeks earlier) revealed that he was quite exercised over the criticism of the report, more so from Vandana Shiva and N D Jayal. I have seen only the review by Jayal in *India Today*, and did not appreciate his high-minded advice that such reports would weaken the environmental movement. Jayal's own body, INTACH, has not always advanced the cause of truth. Its own two anti-big dam studies, under the authorship of Vijay Paranjpye, are full of half-truths, not to mention their weak analytical content on economic points. For more details, see my reviews of these (*EPW*, August 31, 1991 and *Journal of the Indian School of Political Economy*, Vol 4, No 1, January-March, 1992).

3 This illustration be better taken as a response to editors' solicitation that "comments, as before, would always be welcome".

4 The exposition from now onwards is based on the reviewer's own understanding, now and then reinforced with data from the CSE report.

5 These breaches usually occur at the point of confluence of two tributaries of a stream. At this point the process of sedimentation gathers strength because of slowdown in the pace of the smaller of the two tributary.

6 By 'in situ' conservation the connotation is that water is stored near about the place where rain drops fall on the ground. Water conservation, however, has a broader usage that includes water harvesting (in farm ponds or in large metallic containers), and construction of percolation tanks, irrigation tanks, diversion works, major reservoirs, etc.

7 The speed of this infiltrated water is very low, more so in sticky or clayey soils.

8 Those who have visited the famed Sukhomajri watershed near Chandigarh

might have observed land subsidence near the edges of the watershed. Such subsidence is due to heavy soil erosion underneath the land, where subsurface water channels remove a great deal of soil too.

9 The monsoon normally ends by the middle of September. It was such a post-monsoon storm in the Bhakra catchment that created havoc in 1988 in part of the Punjab plains falling in the Sutlej basin. For more details, see p 12 of the report.

10 The expository write up from this point onwards is once again this reviewer's handiwork.

11 For an excellent, highly readable account, see Joseph E Stevens' *Hoover Dam: An American Adventure* (University of Oklahoma Press, Norman and London, 1988).

12 For half a dozen dams each in the US and India, Z Hasan gave ratios of storage to mean annual inflow, while presenting his paper on Surface Water (jointly with R S Prasad and O K Rao) at the Third National Water Convention at Nagpur, February 5 and 6, 1992.

13 Later in the chapter they conclude on a less unacceptable note when they state that "the Indian experience, therefore, shows that dams are only a mixed blessing as far as flood control is concerned" (p 13). No less interestingly they cite instance of dam burst for all categories of dams: the big dam at Mutha (Maharashtra), the medium dam at Morvi (Gujarat) and a small dam at Gopinatham (Karnataka).

14 Sometimes, tribal forest dwellers among the uprooted people in India have been resettled in other forested tracts so as to minimise for them the hardship of restarting life in dissimilar environs. Since the forest cover of the nation too is already below the needed level, the option of relocating tribal populations in suitable habitate has become very problematic.

15 Some of the Narmada Bachao Andolan activities are lately veering round to the view that heights of Narmada dams can be reduced, a point also commended by this reviewer to water planners for the last two years. But they are incorrect when they assert that lowering of the Navgam dam by 15 per cent, from 455 to 388 feet, would not materially affect Gujarat's irrigation benefits from this dam.

16 Reported statistics on the value of economic losses from natural disasters need to be taken with a pinch of salt because states have been increasingly inflating such losses, so as to get more central assistance which has become now an important source for meeting the budget deficits.

BANKS

Myth of Non-Viability of Rural Branches

Analyst

Dissection of the profitability of the branches of a nationalised bank shows that there is nothing inherently non-viable about banking in rural areas. The much-talked-about losses of banks' rural branches, when they do actually occur, are to be attributed to the incompetence of individual banks' managements.

ONE frequently hears that rural branches of banks, with low volumes of deposits and advances, and the latter at low interest rates to priority sectors, are financially non-viable and eat into the profits made by branches at other centres. Therefore, to improve the profitability of commercial banks it is often suggested that rural branches should be delinked from commercial banks either by forming subsidiaries or by creating a separate All-India Rural Bank. Against this background, it is useful to analyse the profitability of the branches of a nationalised bank grouped according to the population of centres served.

The bank in question had over 2,000 branches of which 56.5 per cent were in rural areas covering both agriculturally developed and backward states. The per branch deposits and advances of the bank in rural areas were higher than those of all public sector banks, by 20 per cent and 25 per cent respectively. This bank may not be representative of the banking industry, but its experience throws light on the potential profitability of rural branches if properly managed.

The basic data for the accounting year 1991-92 were taken from the annual balance sheet and profit and loss statement of the branches. As the branch data include inter-branch transactions, the sum of the working funds of branches exceeded that of the bank as a whole by 11 per cent. Similarly, the sum of the gross profit made by branches exceeded that of the bank as a whole because transfer payments to branches exceeded the income of head office from deployment of funds in statutory pre-emptions. Despite these and other limitations, some of which have been corrected by appropriate modifications, the exercise may be useful in understanding the profitability of branches in rural areas as compared to those in other areas.

As the figures of working funds of branches at urban/metropolitan centres are somewhat inflated by large institu-

TABLE 2. RATE OF INTEREST ON ADVANCES AND DEPOSITS

(Per Cent per annum)

Population Group	Advances Rate	Deposit Rate	Margin
Rural	12.77	7.38	5.39
Semi-urban	11.74	7.63	4.10
Urban	11.90	8.26	3.64
Metro	12.35	5.72	6.62
Total	12.21	7.16	5.05

TABLE 3: INTEREST SPREAD OF BRANCHES

(Per Cent)

	Interest Revenue Ratio* (1)	Interest Cost Ratio (2)	Spread (3) (1 – 2)
Rural	12.59	8.19	4.40
Semi-urban	10.92	7.75	3.17
Urban	11.06	7.75	3.30
Metro	9.60	6.18	3.41
Total	10.77	7.26	3.51

* Ratios have been worked out in relation to average working funds.

TABLE 4: BURDEN-EFFICIENCY RATIO

Population Group	Non-Interest		BE Ratio
	Cost Ratio	Revenue Ratio	
Rural	2.19	0.35	1.84
Semi-urban	1.76	0.76	1.01
Urban	1.85	0.87	0.98
Metro	1.24	0.65	0.59
Total	1.67	0.68	0.99

TABLE 5: ADJUSTED PROFITABILITY RATIOS OF BRANCHES

(Per Cent)

	Interest Spread (1)	Burden (2)	Profitability (3) (1 – 2)
Rural	4.40	1.84	2.56
Semi-urban	3.17	1.01	2.16
Urban	3.30	0.98	2.32
Metro	3.41	0.59	2.82
Total	3.51	0.99	2.52

TABLE 1: POPULATION GROUP-WISE DISTRIBUTION OF WORKING FUNDS, PROFITS AND PROFITABILITY RATIOS

(Per Cent)

Population Group	Branch Profits	Working Funds		Profit to Working Funds	
		Year-End	Average	Year-End	Average
Rural	20.0	17.0	17.3	2.68	2.84
Semi-urban	18.9	18.5	18.9	2.33	2.45
Urban	23.0	26.4	27.6	1.99	2.04
Metropolitan	38.0	38.1	36.2	2.27	2.57
	100.0	100.0	100.0	2.27	2.45

tional deposits at the year-end, we have also worked out the ratio with reference to the average of working funds as at the end of March 1991 and March 1992 for each population group. Table 1 gives the share of each population group in the total working funds and branch profits and also the ratio of profit to working funds, both year-end and average. The table shows that rural branches are the most profitable, whether profitability is worked out with reference to year-end working funds or average of two-year figures. The average figures substantially improved the profitability ratio of metro branches, making them second only to rural branches. Despite this correction, some distortions remain to be corrected to get a true picture.

Two major sectors contributing to the interest earnings and expenses are transactions with customers and transactions with head office. Interest charged on advances and paid on deposits constitute customer-related interest and is shown in Table 2. While interpreting this table it may be kept in mind that interest received/paid is for business throughout the year while figures for advances/deposits are as on last day of the year 1991-92. Since last-day figures are normally inflated, the rates of interest worked out by us are likely to be somewhat lower than the actual and especially so in urban and metro areas where the quantum of year-end spurt in both deposits and advances is substantial. It may also be pointed out here that urban and metro branches may be having a higher proportion of non-performing advances and to this extent the interest received would be proportionately low.

As per Table 2, rural branches earned the highest interest rate on advances (12.77 per cent) with metro branches coming next (12.35 per cent), followed by urban and semi-urban branches. One would expect return on advances to be the highest in metro centres and lowest in rural branches. It seems that relatively low year-end figures and low non-performing advances in rural areas are the main causes of the above pattern of spread.

Metro branches had the lowest interest cost of deposits, as a result of which they had the highest spread (margin) between the interest rates on advances and on deposits. Urban branches had the lowest spread between the two rates mainly due to the inordinately high cost of deposits.

Interest payments from/to head office (HO) are the other major source of income/expenditure of branches. In this area, there is an important distortion related to interest income/expenditure. The interest rate allowed on balances kept with HO by branches in rural/semi-urban areas was higher by one percentage point as compared to the rate allowed to urban/metro branches. Similarly, the interest charged on borrowing of urban/metro branches was higher by one percentage point (for six months only) as compared to the rural/semi-urban branches. To eliminate this distortion, interest income and expenditure relating to transactions with HO were reworked on uniform interest rate for all branches. This income was added to interest income from advances to get the comparative total interest income of branches. Similarly, interest costs were worked out on uniform interest rate basis for borrowings from HO. The revised interest cost and interest income of branches grouped according to population of centres are given in Table 3.

Table 3 shows that the interest margin is the highest at 4.40 per cent for rural branches, followed by metro branches with 3.41 per cent. The spread was the lowest for semi-urban branches.

Profitability is also affected by non-interest income from commission, exchange, etc, and non-interest expenses like staff costs, premises costs, etc. The difference between the non-interest cost and the non-interest revenue is called 'burden' since the non-interest cost always turns out to be higher than its revenue counter-part. Burden as percentage of working funds is referred to as 'burden efficiency ratio'. The difference between the interest spread and the burden gives profit and, similarly, the difference between the spread ratio and the burden-efficiency ratio shows the profitability of the unit. Table 4 gives details of burden for different population groups.

Table 5 shows that, after making adjustments for the major distortions, the profit ratio of rural branches at 2.56 per cent was below that of metro branches but was above that of semi-urban and urban branches as well as the entire branch network of the bank. This shows that in terms of profitability, the rural branches are not a liability to the bank. The oft-repeated theme of non-viability of rural branches is thus not an industry-level issue but one at the level of the units in the banking industry. Just as mismanagement is the major cause of industrial sickness, inadequate management competence in individual banks is a major cause of the non-viability of rural branches of many public sector banks. In all possibility, in banks with low profitability of rural branches, the situation may not be different for branches in other population groups also.

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Subsidies, Patents and Market Access in Dunkel Draft

Rajaram Dasgupta

While the fiscal measures recommended in the Dunkel Draft seem to give Indian agriculture a boost in the international market by forcing the developed countries to reduce the subsidy level, the proposals on intellectual property rights will make production costlier because of royalty payment to multinationals for genetically engineered seeds and bio-substitutes, thus taking away the advantage given by fiscal measures.

THE recommendations of the Dunkel draft (DD) which influence agricultural economy can be broadly divided into two groups: fiscal and trading measures and intellectual property rights (IPRs).

The fiscal trading measures in DD include: (i) Reduction of agricultural subsidy, (ii) Conversion of all barriers on agricultural imports into tariffs (tariffication), (iii) Guaranteed minimum access for farm imports of between 3 and 5 per cent of consumption, (iv) Reduction of public distribution system (PDS) activity, and subsidised food only to those eligible on the basis of clearly defined criteria related to nutritional objectives, (v) Phasing out multi fibre agreement (MFA) which allows developed countries to impose discriminatory restrictions on textile imports inconsistent with GATT rules within 10 years, (vi) Removal of trade restrictive and distorting investment measures and extension of "equal national treatment" to multinationals (MNCs) within 5 years, and (vii) Treatment of foreign service enterprise on equal national footing with domestic service enterprises [1].

The list of intellectual property rights incorporate the following: (i) Patents available for any invention whether products or process, (ii) Patent right enjoyable without discrimination as to the place of invention, the field of technology, and whether products are imported or locally produced, (iii) Life of patents to be 20 years, (iv) In case of violation burden of proof lies on the accused, (v) Patents for plant varieties, (vi) Patents for living organisms, and (vii) Deletion of the provision for compulsory licensing, where a patent-holder does not want to manufacture an item in a country, and treatment of import at par with domestic manufacture for purposes of definition of the working of a patent [2,3].

The diminishing returns in agriculture has been well accepted in theory and has been empirically found to be correct at least in the case of fertiliser use, which is the most important input today for increasing productivity [4]. This only implies an increase in the cost of production of agricultural output, specially food items, and hence increase in the price of these items. As food is the most important item of wage basket in a developing country like India, this increases wages and reduces profits of all the sectors. Also, the increase in foodgrains' prices gives a boost to inflation. And most importantly, food is considered as a different class of item. It is a basic need for both the rich and the poor. This is why even developed countries with a very small agricultural component in their national income try to protect the interests of farmers by providing subsidies in different forms so that adequate marketable surplus is generated and the non-agricultural population need not pay high price. This is the reason why these proposed fiscal measures have been opposed by developed countries. While France opposes the subsidy clause, Japan, South Korea, Switzerland, Norway, Canada and Israel, etc, have been opposing tariffication [1].

Aggregate measure of subsidy (AMS) has been considered as an index of subsidy in the DD. AMS has been recommended to be brought down to 13.3 per cent by 2003 [5]. According to Gulati and Sharma, producer subsidy equivalent (PSE) can be taken as a proxy for AMS [6].

$$PSE = \frac{\text{total transfer to agricultural sector}}{\text{value of agricultural products}}$$

$$\frac{Q(P_d - P_w \times X) + D + I}{Q \times P_d + D}$$

Where

- Q – Agricultural production
- P_d – Domestic price of agricultural products
- P_w – International price of agricultural products
- X – Exchange rate for domestic currency
- D – Direct transfer by government to agricultural sector
- I – Indirect subsidy to agricultural sector.

According to their calculation PSE for India is negative and as high as 72.5 for Japan (Table 1). This gives an impression that if DD is accepted, Indian agricultural products will become competitive in the world market and hence agriculture will be a foreign exchange earner for industrialisation. The agricultural sector thus is supposed to play a vital role in the development process in India.

This is, however, not as simple as it appears. Firstly, India is not a country self-sufficient in food if the total nutritional requirement is to be met. If India does not regularly import foodgrains, it is only because of the lack of purchasing power. More than 30 per cent of the population lives below the poverty line and because of their meagre income do not demand even the minimum food. India in true sense does not have exportable surplus in foodgrains at present. In the international context, India constitutes 17 per cent of the world population and accounts for only about 12 per cent of total cereals and pulses production (Table 2). On the other hand, the US while constituting about 5 per cent of total population accounts for 13 per cent of foodgrains production. What Table 2 suggests is that exportable surplus in

TABLE 1: PRODUCER SUBSIDY EQUIVALENT (PSE), PER CENT

PSE<0		0<PSE<10		25<PSE<40	
Columbia	54.5	Turkey	2.3	US	26.2
Argentina	38.3	S Africa	8.3	Canada	33.5
China	34.2			EC-10	37.0
Pakistan	21.8				
India	2.3				
0<PSE<25		**PSE>40**			
Australia	10.3	Yugoslavia	41.0		
New Zealand	19.2	Mexico	43.3		
Brazil	21.5	South Korea	60.7		
USSR	25.0	Japan	72.5		

Source: Gulati and Sharma (1992).

foodgrains lies generally with developed countries only. And it can be safely assumed that these countries are not exporting at the cost of domestic consumption.

If we now look at the trade pattern of agricultural products (food, beverages and tobacco), the US, Canada, and other Asian countries appear to be net exporters. In the case of India, tea is a major export item. Recently superior rice and horticultural products along with animal products are gaining importance. India seems to have comparative geographical advantage in trading with her neighbouring countries, eastern half of African continent, and middle east countries and perhaps erstwhile USSR. Africa's net import is quite negligible, and low income does not seem to attract the import of high valued cereal crops and other agricultural products from India in future. Japan's trading advantage will continue to lie with the US and neighbouring Asian countries, and Europe's geographical advantage outside the continent lies with Canada, the US, Mexico, North Africa and the middle east. India therefore has to depend mainly on West Asia, neighbouring countries and erstwhile USSR for her agricultural exports.

Now, even if we concede that India will be allowed to increase its PSE from 2 to 13, and the US, Canada, Mexico and the European community, are forced to reduce it to 10 from existing high figures, India would not possibly gain from this.

Firstly, as we have seen earlier, India does not have much geographical advantage with the net importing regions. Secondly, since India does not have exportable surplus of foodgrain items, either more area has to be brought under cultivation or the yield rate has to be increased to have surplus farm products for sale. The scope of increasing net area is almost nil. Gross area can be increased by raising cropping intensity. But for that a large amount of investment in irrigation is required. In the case of India, growth of minor irrigation has taken place mainly in areas where canal irrigation has spread. Under the scheme of reducing fiscal deficit, the major victims has been the development sector including irrigation.

TABLE 2: POPULATION AND PRODUCTION

	Population ('000) 1990	Share (Per Cent)	Production of Cereals and Pulses ('000 Tonnes) 1990	Share (Per Cent)
Africa	642,112	12.1	94,533	4.7
North and Central America	427,228	8.1	40,453	20.2
Canada	26,521	0.5	58,729	2.9
Mexico	88,598	1.7	27,382	1.3
USA	249,224	4.7	314,327	15.6
South America	296,716	5.6	71,391	3.5
Argentina	32,322	0.6	19,775	0.9
Brazil	150,368	2.8	34,574	1.7
Asia	3,112,756	58.8	885,785	43.9
Bangladesh	115,593	2.2	29,625	1.5
China	1,139,060	21.5	395,278	19.6
India	853,094	16.1	210,023	10.4
Indonesia	184,283	3.5	51,698	2.6
Japan	123,520	2.3	14,602	0.7
Malaysia	17,891	0.3	1,685	0.08
Myanmar	41,675	0.8	14,892	0.7
Pakistan	122,626	2.3	21,645	1.1
Sri Lanka	17,217	0.3	2,315	0.1
Thailand	55,702	1.0	23,380	1.2
Viet Nam	66,693	1.2	19,448	0.9
Europe	500,177	9.4	291,083	14.4
Denmark	5,143	0.1	10,368	0.5
France	56,406	1.1	58,588	2.9
Germany	79,117	1.5	38,506	1.9
Netherlands	14,951	0.3	1,435	0.1
Poland	37,850	0.7	28,580	1.4
Spain	339,187	0.7	19,063	0.9
Sweden	8,566	0.2	6,403	0.3
United Kingdom	57,438	1.1	23,191	1.1
USSR	288,595	5.4	238,854	11.9
Oceania	26,667	0.5	26,008	1.3
Australia	17,052	0.3	24,956	1.2
New Zealand	3,392	0.06	1,008	0.05
World	5,294,252	100	2,014,108	100

Source: *Fertiliser Statistics*, The Fertiliser Association of India, New Delhi.

TABLE 3: EXPORT PATTERN OF FOOD, BEVERAGES AND TOBACCO, 1988

(000 M US $)

Export from	Export to 1	2	Developed Market 3	4	5	6	Developing Market 7	8	9	10	Centrally Planned 11	12	13	14
1 World	255	180	124	4	24	24	2	51	10	9	18	23	4	19
2 Developed market	170	129	98	3	12	14	1	31	7	6	9	8	3	5
3 Europe	114	98	88	0.9	5	3	0.4	13	5	2	2	2	0.1	2
4 Canada	10	6	1	—	4	1	0.06	1	0.3	0.5	0.3	2	1	0.8
5 USA	31	16	6	2	—	8	0.2	12	2	0.4	4	3	1	2
6 Japan	2	0.6	0.2	0.06	0.3	—	0.03	1	0.03	0.02	1	0.03	0.03	0.003
7 Australia and New Zealand	11	7	1	0.5	2	2	0.4	4	0.3	0.3	2	0.5	0.4	0.1
8 Developing market	69	45	22	1	12	9	0.1	15	2	2	6	9	1	8
9 Africa	9	7	6	0.06	0.8	0.5	0.06	1	0.9	0.01	0.1	6	0.03	0.5
10 America	30	20	10	0.4	0.7	1	0.1	4	0.4	2	0.6	6	0.3	6
11 Other Asia	24	15	4	0.3	0.3	7	0.5	7	0.9	0.07	5	2	1	1
12 Centrally planned	17	6	3	0.07	0.5	2	0.05	5	0.6	0.6	3	6	0.2	5
13 Asia	7	2	0.7	0.05	0.2	1	0.04	3	0.1	0.7	3	1	0.06	1
14 Europe and USSR	10	3	32	0.02	0.3	0.4	0.01	2	0.5	0.6	0.1	4	0.1	4

Source: *Statistical Year Book*, United Nations, New York.

although the Eighth Plan has emphasised the same. On agricultural finance front the financial sector reforms do not seem to be priority sector friendly. Under the given circumstances the only reliable alternative left is to increase the yield rate which can be possible through either high yielding variety of seed or higher dose of fertiliser which again requires credit and does not have much importance in the context of financial sector reforms.

So far as raising yield rate is concerned, India is in a quite disadvantageous situation because of poor soil fertility. It is quite evident from Table 4 that India's yield rates of cereals, pulses, sugarcane and potato are the lowest. This, however, does not say much about inferior soil quality which is evident from Table 5 which shows the fertiliser consumption of a few countries. The US yield rates of cereals, pulses, sugarcane and potato are 2.5, 3, 1.2 and 2 times more than India's whereas the US consumes only 43.4 kg of NPK per hectare compared to India's consumption of 64.1 kg. Similarly, Canada, Argentina, Mexico and Thailand, although have higher yield rates consume less amount of nutrient per hectare compared to India. Yield rates of cereals, pulses and potato in France are 3.3, 9 and 2 times more than those in India whereas France consumes only 3.1 times more fertiliser than India in each hectare. Although Australia's cereals yield rate is lower than that of India's, pulse, sugarcane and potato yield rates are much higher. However, Australia's fertiliser consumption is only 2.4 kg per hectare compared to 64.1 kg in India. In other words, because of diminishing returns to fertiliser use, cost of agricultural items in India will rise so much that they will not be competitive, specially to those from the US, Canada, Argentina, Mexico, and Australia

Given this background of non-competitiveness and Dunkel recommendation that all the countries have to import 3-5 per cent of their agricultural consumption (not export of 3-5 per cent of agricultural production), most of the import requirement will be met by the US alone. Given the world production of cereals and pulses at 2,014 million tonnes, the world import requirement at 5 per cent level, the total world import will be 100 million tonnes. With 500 kg of per capita annual requirement of cereals and pulses, the US domestic consumption would be 125 million tonnes, and hence a surplus of 189 million tonnes which is more than the stipulated minimum import requirement for the rest of the world. With similar assumption Europe's surplus seems to be 40 million tonnes out of which 30 million tonnes come from France alone.

Therefore, 13 per cent of PSE does not seem to help India much because of her poor soil fertility, and hence the comparative disadvantage in the case of foodgrain items. India, however, can still export high value cereal and horticulture crops. To produce these crops, India has to shift cultivation away from usual foodgrain items. If the present level of purchasing power is maintained this implies a supply gap in foodgrain items which would necessitate rationalisation of food import. Initially it may seem to follow the rule of comparative cost advantage and India may obtain her imports at competitive price. However, as mentioned earlier, food is not only a basic necessity item, it is a great political weapon too. The developed countries with the engineered demand increases and artificial price hikes can play havoc with India's sovereignty. Besides this, if foodgrains production is de-emphasised, it will be grown on inferior land and the cost of production may further rise. This will induce prices of imported foodgrains to go up.

Now as food is the most important item in the industrial wage basket, rise in food price tends to increase the wage rate, inflation, reduce profitability and dampen

TABLE 3A: NET EXPORT (+) OR IMPORT (-) OF FOOD, BEVERAGE AND TOBACCO

(000 M US $)

World	0
Developed market	-10
Europe	-10
Canada	6
USA	7
Japan	-22
Australia and New Zealand	9
Developing market	18
Africa	-1
America	21
Other Asia	6
Centrally planned	6
Asia	3
Europe	-9

TABLE 4: YIELD RATE OF SELECTED CROPS

(Kg/Hectare)

	Paddy	Wheat	Maize	Cereals	Pulses	Sugarcane	Potato
Africa	1992	1554	1616	1173	563	60717	8846
North and Central America	5075	2560	6023	3948	978	64146	28743
Canada	—	2263	6765	2610	1711	—	25030
USA	6173	2656	7437	4749	1693	76800	32484
Mexico	3780	4179	1984	2424	661	99695	12587
South America	2422	1724	2012	1989	516	62322	12460
Argentina	4096	1862	3105	2162	1028	44485	22321
Asia	3641	2356	3090	2770	728	58930	13341
China	5728	3179	4142	4199	1475	59897	11588
India	2691	2117	1610	1887	553	64140	15873
Indonesia	4319	—	2127	3802	1299	69114	12308
Japan	6328	3662	2667	5848	1562	71618	29661
Korean Democratic Republic	8209	3231	6197	6577	925	—	13249
Malaysia	2627	—	1750	2600	—	68500	—
Pakistan	2216	1825	1492	1751	517	41547	10022
Sri Lanka	2993	—	1029	2874	730	35851	11836
Thailand	1959	—	2145	1973	734	48893	923
Viet Nam	3119	—	1667	3002	666	42222	8919
Europe	5237	4829	4230	4291	2116	68085	21195
France	5737	6487	5808	6205	5095	—	31579
Germany	—	6172	5000	5030	1358	—	23421
Netherlands	—	7716	2571	7093	4368	—	40206
UK	—	6905	—	6136	3409	—	40148
USSR	4086	2240	3625	2171	1717	—	10953
Oceania	7412	1609	5151	1700	1051	73766	28701
Australia	8026	1595	4040	1657	1016	77135	29132
New Zealand	—	4400	8889	4745	3157	—	30899

Source: *Fertiliser Statistics*, The Fertiliser Association of India, New Delhi.

TABLE 5: FERTILISER (NPK) CONSUMPTION IN SELECTED COUNTRIES

(Kg/Hectare)

	1989-90
USSR	40.8
Canada	27.5
China	61.2
USA	43.4
Brazil	13.6
Australia	2.4
India	64.1
Argentina	0.9
Mexico	18.1
Indonesia	75.0
Egypt	404.3
Pakistan	71.7
France	198.7
Thailand	35.3
Japan	367.1
Philippines	58.3
UK	131.5
Korean Democratic Republic	397.6
Sri Lanka	82.5

Source: *Fertiliser Statistics*, The Fertiliser Association of India, New Delhi.

the spirit of investment. And because of increase in the cost of production, these industrial goods lose export competitiveness. Alternatively more capital intensive technologies may be used displacing labour. First of all, we are not sure whether this will help us in the international market to compete with the developed world which has technological advantage of at least 10 years which they are going to further improve by IPR, the other aspect of Dunkel draft. Secondly, even if capital intensive technology helps in the growth process, the fruits of growth will be confined to a few deciles as the labour force will be kept out of this process.

Intellectual Property Right (IPR) Effect

IPR is another dimension of the Dunkel draft. The present Indian Patent Act covers (a) process patent for food, medicine, drug and chemicals, (b) product patent for other items, and (c) neither process nor product patent in connection with agriculture. DD on the other hand demands protection for (i) product, (ii) plant varieties, and (iii) living organisms. The US at present has all the above patent facilities. However, it must be noted that only since 1980, the US has implemented the second and third types of patent. Another point to be noted is that after 1970, when process patent system was implemented, India made tremendous progress in pharmaceutical sectors with remarkable presence in the international market because of lower price achieved through discovery of cheaper process for pharmaceutical products

Bio-technology which is the technology of tomorrow for agriculture has applications in vaccine, drugs and mining. This technology employs production processes based on living organisms like bacteria, living forms like plants and other living beings. DD may affect Indian agriculture very adversely through new patent laws which restricts the research and use of bio-technology. The main non-labour inputs in agriculture are land, water, seed, fertiliser, and pesticides. Last three items are going to be patentable, and hence are going to affect agriculture.

Genetically engineered varieties of seed of food and cash crops owned by multinational bio-technology companies will be sold in India [3]. Price of these seeds will have royalty component which has so far been absent. Naturally this increases seed price. As successive generation of seed is protected by patent, the farmers may not be allowed to save seed out of their own harvest to sow their next crop. Even in some countries where there is intellectual protection for plant varieties like plant breeder's right, there are two exemptions. (i) It allows plant breeders/scientists to use protected varieties for further breeding work without paying royalty, and (ii) It gives the farmer the right to save seed for his personal use from his harvest.

Since unlike in other areas, improved varieties of embryo requires an earlier generation of embryo, the above exemptions ensure that the socially useful activity of breeding new improved varieties continues unhindered. If DD is accepted, this advantage will no longer be there. Research will be monopolised, and gains will not trickle down. In that case India will not be able to increase the yield rate through high quality seeds to make her produce competitive in the world market. Whatever progress India has made in bio-technology will be completely diluted and then technology available with India will be about 20 years old.

Bio-Substitutes

Because of presssure from environmentalists, and operation of diminishing returns, agricultural sector is compelled to move away from the use of chemicals to bio-substitutes (bio-fertilisers and bio-pesticides)[3]. This may reduce the cost of cultivation also. Research has already started, and India has been taking part in the research in this area.

Plants cannot use nitrogen from the air, chemical fertilisers fix nitrogen in the soil for the plant. If bio-technology succeeds certain bacteria in the environment can donate ammonia to the plant; blue green algae can fix nitrogen through water fern called azolla. A group of fungi called myeorrhiza enter the roots of trees, shrubs and crops and solubilise iron phosphate in low fertility soil thus making them available for plants; in addition they mobilise other nutrients like copper and zinc. Bacillus megaterium, a special kind of bacteria increases the phosphate status in the soil, minimising or doing away with the need for chemical phosphates. Certain kinds of soil bacteria when injected with methane from the air release enhanced amounts of phosphorous, potassium, calcium and magnesium. A whole range of insects and worms have been rediscovered to be pressed into service to fight pests. The Ladybird beetle feeds on bugs attacking crops as diverse as mustard and cauliflower; another kind of worm eats up the larva of insects attacking the cowpea thus protecting the crop.

Certain micro organisms function as natural pesticides. There are more than 100 kinds of known bacteria, virus and fungi which attack insects. Rehizobacteria that promote plant growth are useful agents of biological pest control. Bacillus thurigensis kills insects by producing a toxin which is safe. Bacillus papillae is effective against beetles. In addition to these naturally occurring micro-organisms, genetically engineered insect pathogens are being tried out as biological agents of pest control.

What is therefore clear is that there is going to be a revolutionary change in agricultural technology in which living micro-organisms are going to play an important role. If DD is going to patent all these, the control over entire range of seed, fertiliser and pesticide will be with multinationals which not only have a lead in bio-technology, but also command enormous capital to invest. This will, no doubt, render all research in the hand of multinationals which would make all inputs costly because of monopoly. Agriculture thus will turn out to be a capital intensive field of technology. Small and marginal farmers will then have no relevance in the agricultural production.

DD thus seems to give benefit to India in the international market by forcing subsidy reduction across the countries. This however, is quite illusive as India does not have a comparative advantage in agricultural export. Market access approach on the other hand forces India to import foodgrains for which foreign exchange has to be earned at the cost of domestic cereals production. This and the IPR effect together increases agricultural costs and makes the agricultural and industrial goods which are now going to have higher wage content non-competitive because of the increased price and higher royalty component. DD therefore makes us lose our sovereignty by forcing us to change our Constitution for accommodating new patent rules and tries to cripple the economy which otherwise has extraordinary potential.

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The Third Stratum

Nirmal Mukarji

The fundamental question before panchayats everywhere in the country has for long been whether they are there for development functions only or for the wider purpose of self-government. The central objective of the Constitution (73rd Amendment) Act must, therefore, be seen as self-government, unabridged by the quite unnecessary references to economic development and social justice and the wholly avoidable Eleventh Schedule.

THE Constitution (73rd Amendment)Act has, in essence, constitutionalised panchayats as a third stratum of government at and below the district level. Hitherto the country had lived with a two-layered governmental system, the union and the states. The terrain below the states was left unprovided for, except only for a Directive Principle for setting up self-governing village panchayats. For four decades and a half the Directive Principle remained unacted upon. Now, to the credit of the present-day law-makers, the omission has been rectified and more. The amended Constitution requires the states to constitute panchayats as institutions of self-government not only for villages but also at intermediate and district levels. Consequently there will, henceforth, be three strata of government: the union, the states and the panchayats. A more radical change is difficult to visualise. Its implications are far-reaching, perhaps not fully grasped even by those who legislated the measure.

I

A major obstacle to understanding lies in the content of the 73rd Amendment. For, on the one hand, it defines panchayats by whatever name called to mean institutions of self-government. It also makes it mandatory for every state to constitute panchayats at the three levels mentioned, sensibly not insisting on the intermediate level in tiny states. Further, and most crucially, it provides that state legislatures "may, by law, endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government". The plain meaning of these provisions, read by themselves, is that self-government for panchayats is the central objective. The only point on which controversy could arise, and very likely will, when it comes to the state legislatures endowing powers and authority to the panchayats, is about the meaning to be given to the expression 'self-government', especially when applied to each level. But more about that later.

Yet, on the other hand, there is the qualification that the very same law to be enacted by a state legislature "may contain provisions for the devolution of powers and responsibilities upon panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to (a) the preparation of plans for economic development and social justice, and (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule". The Eleventh Schedule painstakingly spells out 29 items. It can be no one's case that economic development and social justice are not desirable goals. Therefore planning for them cannot really be objected to, though implementing entrusted schemes in this field might, because that could reduce panchayats to mere executors of handed-down programmes. But the more important question is whether this later and somewhat over-elaborate provision dilutes the objective of self-government. Does it, in other words, abridge the rights of the state legislatures down to endowing development functions only?

The fundamental question before the panchayats everywhere in the country has, for long, been whether they are there for development functions only or for the wider purpose of self-government. Article 40 of the Constitution explicitly visualises self-government for village panchayats. The relatively limited notion of development.came in with the Balwantray Mehta Report, 1957. Going refreshingly beyond its terms of reference, the Mehta Team recommended democratic decentralisation to a three-tier panchayat structure, but this would handle development work only. Seen against the provisions of Article 40, panchayats were no longer to be confined to the village level, but their functions were to be restricted to less than self-government. The recommended pattern was, with some variations here and there, adopted by most of the states. It was also persisted with in the Asoka Mehta Report, 1978, although a nominal bow was made to self-government in an annexure containing a draft Constitution amendment bill.

In his dissenting note to the A Mehta Report, E M S Namboodiripad stated: "Democracy at the central and state levels, but bureaucracy at all lower levels—this is the essence of Indian polity as spelt out in the Constitution...I cannot think of the panchayati raj institutions as anything other than the integral parts of the country's administration with no difference between what are called the 'development' and 'regulatory' functions...I am afraid that the ghost of the earlier idea that panchayati raj institutions should be completely divorced from all regulatory functions and made to confine themselves only to developmental functions is haunting my colleagues." He set the goal as follows: "What is required is that, while certain definite fields of administration like defence, foreign affairs, currency, communication, etc, should rest with the centre, all the rest should be transferred to the states and from there to the district and lower levels of elected administrative bodies." This was clearly a plea for going beyond development to self-government, although that expression was not used.

The fact of the matter is that it is entirely within the competence of the state legislatures to decide what powers and authority the panchayats should have in order that they function as credible institutions of self-government. This was the Constitutional position all along; the 73rd Amendment has served to reaffirm it. The introduction of the development motif in the amendment, perhaps, limits the competence of the legislatures only in the sense of indicating the minimum that each state legislature should transfer to the panchayats. There is, in other words, a floor but no ceiling. How far above the floor a particular state may go is a question of policy for that state, bearing in mind that the panchayats from now on are to be (1) Constitutional bodies, and (2) institutions of self-government. The central objective of the amendment must, therefore, be seen as self-government, unabridged by the quite unnecessary

references to economic development and social justice and the wholly avoidable Eleventh Schedule.

II

Had there been just the 73rd Amendment, unambiguously proclaiming self-government for the panchayats, shorn of the obfuscating references to economic development and social justice, the central purpose of Constitutionalising a third stratum of government would have been clear. What has made for further confusion is the simultaneous enactment of the 74th Amendment for municipalities. For, although self-government for these bodies is surely to be welcomed, the legislation of two separate amendments divides the governing space below the state level into two parts, rural and urban, and gives the partition Constitutional legitimation. The idea of a single third stratum, therefore, becomes difficult to grasp.

The 74th Amendment seems to be a hasty afterthought. For one thing, it is almost a carbon copy of the 73rd Amendment, with the identical references to economic development and social justice with its own pointless Twelfth Schedule. It looks as if some independent thinking went into the panchayat law and then, one day, the Municipalwalahs suddenly woke up and said "we too, please" and were simply served the panchayat dish with municipal sauce. Secondly, it thoughtlessly constitutionalises an artificial dichotomy between rural and urban when all previous thinking has stressed the continuum between the two. Thirdly, in a frantic bid to cover this lapse, it gives Constitutional status to district planning committees, which will "consolidate the plans prepared by the panchayats and municipalities" and "prepare a draft development plan for the district as a whole". Neither the Planning Commission nor State Planning Boards have even statutory backing, leave aside Constitutional recognition. Planning from below has indeed taken a strange route, especially as these high-status district bodies will be constitutionally limited to preparing only draft plans.

There is a firmly embedded concept that panchayats are for the rural areas. It is rooted in the historical reality of village panchayats having existed from ancient times. The Directive Principle of State Policy in Article 40 also requires the organisation of village panchayats. The democratic decentralisation devised by the B Mehta Report rested on village panchayats at the base. So, with some refinements, did the scheme of the A Mehta Report. The linking of panchayats with the rural areas has now received Constitutional endorsement by the 73rd Amendment. Administrative arrangements reflect the linkage in that the union has a ministry of rural development looking after panchayat matters and many states have ministers for panchayat and rural development. The panchayats are thus locked into a 'rural only' bind.

As far back as 1963, a Rural-Urban Relationship Committee was appointed by the government of India to make "recommendations regarding the relationship between the urban local bodies and the panchayati raj institutions". The committee observed that urbanisation should be considered as a 'continuous process of transition from rural to urban", that "a whole area should be treated as one unit for administrative purposes" and, further, that "rural and urban areas falling within it should be treated as integral parts of the area" for the purposes of planning and implementation. Recalling this, the A Mehta Report remarked that the "evolution from rural to urban way of life is a continuous process with sequences from a tiny hamlet to a sizeable city". Instead of an urban-rural dichotomy it saw a rural-urban continuum, which called for linking up the rural areas with urban focal points.

There is growing evidence of the transition from rural to urban in the shape of a large number of urbanised villages. At present, these are growing in a haphazard manner with little or no civic amenities. If there is no proper town planning from now, these will become ugly urban spreads, the redevelopment of which will be enormously costly later. With the growth of agriculture and increasing prosperity in the countryside, more such centres are likely to come up as focal points of business, trade, marketing and servicing. In West Bengal, for instance, places like Dhupguri in Jalpaiguri district and Garbeta-Amlagora in Medinipore district have grown beyond recognition in the last decade or so, and are now bustling urban market centres. Notwithstanding their 'rural only' origin, the panchayats must squarely shoulder this rapidly growing urban reality in their respective rural areas. If this enlargement of their functions calls for suitable legislative, administrative and financial backing, that should be forthcoming from the states.

It bears repetition that the 73rd and 74th Amendments have, unfortunately, constitutionalised what is in fact an artificial dichotomy between rural and urban self-government. If there is a continuum stretching from hamlet to city, what is called for is an overarching institution which does away with dichotomy and reflects the reality of the continuum. The district planning committees implanted, somewhat strangely, in the 74th Amendment are not the answer, because without executive functions they will not in any sense be institutions of self-government. Eventually the two amendments will need to be amalgamated to provide for integrated self-government for the continuum, in the process relieving them of unnecessary clutter. Until then, each state must seriously think of integrative legislation to merge existing panchayat and municipal laws in order to build a coherent third stratum, without offending the basics of the two amendments. While megalopolises like Calcutta-Howrah may be governed in a manner suited to their requirements, the municipalities and the panchayats in the districts should become component units of self-government within an overall set up of district self-governance.

III

More telling than any shortcoming in the two amendments is the all-pervasive mindset amongst the ruling elites that the natural mode of governing the country is through governments at the union and state levels only, as originally conceived by the founding fathers, and any attempt to insert a third stratum below the states would be fraught with unpredictable perils for the polity. Support for this view comes from the fact that the Constitution describes India as a Union of States, that its federal scheme divides powers between just the union and the states and that the union states duality runs through its entire content. Support also comes from the familiar *status quoist* argument that if things have not worked out well the fault is not so much with the system as with those who have operated it. Finally, support also comes from the plain fact that the 73rd and 74th Amendments make no consequential change in the pre-existing two-layered scheme of government outlined in the Constitution.

We may look at these points seriatim. The Constitution that "we, the people of India" gave ourselves in 1949 was a combination of two elements: concepts and structures. The concepts reflected free India's aspirations. Mainly these were embodied in the Preamble and the two sections on Fundamental Rights and the Directive Principles of State Policy. This was the creative part, providing the bedrock of all else. The structural part, by contrast, was pedestrian. It set out how the country was to be governed as a "sovereign, democratic republic". Mimesis rather than creativity was its distinguishing feature, for it borrowed heavily from the Government of India Act, 1935. Perhaps carrying on with what was

already there was most convenient at the time. Perhaps this also suited the then ruling elites, politicians and bureaucrats. The structures devised were, at best, appropriate only for that stage of the republic. Unlike bedrock principles, these can hardly be treated as binding for all time. "We, the people of India" have to keep inventing new structures appropriate for our times, which means that mindsets should go.

That a system is as good as the people who work it is undoubtedly true. But, equally, even the best people cannot make a system work once it becomes out of tune with changed circumstances. Two indices of how much things have changed are: one, the country's population has more than doubled since independence; two, thanks to adult suffrage and frequent elections, political awareness has enormously grown among previously quiescent people. The bureaucracy, to which the two- layered system entrusted the business of government below the state level, is wholly unable to cope. It has also become so corrupt that Rajiv Gandhi, as prime minister, had ruefully to admit that only 15 of every 100 paise of development money reached the intended beneficiaries. Increasingly the people want to manage their own affairs. Panchayati raj, whether of the apolitical B Mehta variety or the political A Mehta one, will no longer do, because the 'raj' element is wholly missing in both. Indeed the expression 'panchayati raj' has acquired a bad odour. A third stratum of self-government is the structural invention we now need.

The absence of consequential changes is a point well taken. It is neither possible nor necessary to alter comprehensively the union-states duality built into the Constitution. It is sufficient to focus attention on the single issue of decentralisation, which after all is what a third stratum is all about. Owing to the then prevailing circumstances, the framers of the Constitution opted for a federation with a strong centre. Subsequently, the logic of the strong centre concept shaped Congress politics and the policies of central planning in such a way as to make the union much stronger and, correspondingly, the states much weaker than the Constitution-makers ever visualised. If now the states endow meaningful powers downwards, the system will resemble an hour-glass, with the states at the narrow waist, the union powerwise broad at the top and sub-state institutions functionwise broad at the bottom. Politically, this is unlikely to be acceptable to the states. Therefore, the union must first decentralise to the states so that they in turn may have enough to decentralise to lower formations.

IV

If there is one factor above all that is responsible for the negative features that have emerged in the polity and the economy, it is the over-centralisation of powers and functions at the union level. In many ways, this has converted what was meant to be a two-layered federal arrangement into a Delhi-centric unitary system. One has only to see the sprawling ministries in the capital dealing with subjects in the State and Concurrent Lists to get an idea of the enormity of the union's usurpation of state functions. In the federal scheme, the union and the states were to share the burden of governing the country, with the states acting as the vital communicating links with the people. The states have been too enfeebled to fulfil this allotted role. For one thing, they have been reduced to begging the union for finances and battalions. Secondly, the fear of dismissal under Article 356 haunts them and they have thus been rendered less than partners in the government of the country. Consequently, we have the strange spectacle of a bloated union, far removed from the people, attempting to govern almost singly in sectors best left to the states.

The principle of a 'federation with a strong centre' impelled the Constituent Assembly to ensure that the union was more than well provided with financial resources, consciously leaving the states with less than their requirements. The idea was to give the union financial leverage to deal with the states. But what has happened is that, with over-centralisation, the union has used its surpluses in profligate spending rather than in balancing the requirements of the states. For a dozen years or more, it has had to divert capital resources to cover its revenue deficits. Especially during the 80s, its financial management has led to irresponsibly heavy borrowings abroad. The economic crisis that engulfed the country in 1991 was entirely the creation of the ruling elites at the centre, who acted as if accountable to no one. If there is a silver lining to this dark cloud of over-centralisation, it is only that the crisis compelled the elites to begin dismantling the corrosive licence-permit raj. So far, however, the new economic measures have had little impact on corruption or prices and none whatsoever on poverty.

As noted earlier, there has been a phenomenal rise in the political consciousness of the people. This has awakened dormant aspirations among groups at the periphery of the polity. Thus dalits are organising against upper castes, tribals launching movements from Bodoland to the Narmada basin, backward classes using Mandal to advance, Muslims thinking anew after the Babri Masjid, and so on. Punjabi Sikhs and Kashmiri Muslims have taken to militancy, much as the Nagas and the Mizos did a generation ago. It looks as if the periphery is in revolt against the dominance of a 'mainstream', firmly entrenched in its over centralised fortress of governance and politics. Instead of seeing the positive message in all this, the 'mainstream' has reacted in two ways. Politically, it has tended to treat all such revolts as anti-national. On the governmental side, it has overutilised the coercive instruments of draconian laws and armed forces, virtually outlawing human rights, except when it came to 'mainstream'-sponsored violence, such as at Ayodhya and resultantly at Bombay, Surat and elsewhere. The siege mentality of 'mainstream' elites, whether in power or not, is hardly suitable for governing sub-continental India on the move.

On one bank of the river of national life is the overcentralised Indian state, thinly composed of the ruling elites in the union and some of the so-called national political parties. These are the self-styled 'mainstream' who never tire of exhorting others to join them. On the other bank are massed the people of India, amongst them being in myriad groups that make us rich in diversity. Obviously there must be a bridge to connect the two, but the river is wide and requires several spans. Those who wrote the Constitution built only the single span linking the centre with a mid-point pier where the states were clustered, the journey beyond being left to bureaucratic boats. This first span having been severely damaged through misuse, the Indian State is left stranded on one bank, out of touch with the people on the other side. Without first repairing this span, the 73rd Amendment has commenced construction on the portion between the states and the people. The project is well-intentioned but absurd. It is the entire river which needs a bridge, not merely a section of it.

Leaving the analogy behind, it is imperative that the Indian State should abandon the distortion of over-centralisation, which has not only made a mockery of what the founding fathers intended but has brought the polity and the economy to the brink of disaster. Having regard to the changed circumstances, the earlier principle of a 'federation with a strong centre' needs to give way to a 'federation with a strong centre and strong states'. It is no longer sufficient for the centre to decentralise merely to restore the position originally written into the Constitution. Strong states will come about only if the states themselves decide how much autonomy they must have. So long as this is within

the framework of the Constitution, in the sense that the basic features are not infringed, that should become the new dispensation, subject to parliament ensuring that the centre is enabled to perform its due role. Only then will it be reasonable to expect the states to part with enough power to make the third stratum truly self-governing.

V

Finally, after this lengthy detour, two inter-connected questions need to be addressed. Neither the 73rd Amendment nor what is virtually its annexure, namely, the 74th Amendment, are of help in answering them. (In what follows, for the sake of simplicity, only the 73rd Amendment and panchayats will be referred to.) First, what does self-government mean if each of the three levels of panchayats in a typical state is to have this commodity? Second, when it comes to endowing powers and authority, how far should the state legislatures go to ensure self-government at each level?

The literal meaning of self-government is autonomy or government without outside interference. But obviously the panchayats cannot enjoy full autonomy, set as they are within individual states. Nor can the states, placed as they are within the Indian union. What the 73rd Amendment has done is not only to constitutionalise three strata of government but also, within the third stratum, three levels of panchayats. Therefore, there will now be a five-storeyed pyramid of governments rising from the village panchayats at the base to the union at the apex. At each level below the union there can be no more than an appropriate measure of autonomy. Thus self-government at a particular level means such partial autonomy as is appropriate for that level. The principle holds for the states as well as for each panchayat level.

But, then, how much is appropriate for each level? The very idea of autonomy, partial though it must be, suggests that the basis for appropriateness should be entitlement from below rather than endowment from above. Consequently, village panchayats should be entitled, by law, to do what they can best do at their level. Thereafter, intermediate level panchayats should be similarly entitled, and the same for district panchayats. The functions to be performed at the state level, as a consequence, would be the sum of what the union must decentralise, on the one hand, and, on the other, such remnant functions as are left over from panchayat entitlements which need to be attended to only at the state level. In the determination of entitlements, the concerned levels would have to be involved. Just as the states themselves rather than parliament unilaterally should decide their entitlement to autonomy, as suggested earlier, the district panchayats too should determine their entitlement rather than leaving the question entirely to the state legislatures. Modalities will need to be worked out to extend the principle further down also.

These are fundamentals to be borne in mind. In practice, state legislatures will be influenced by objective circumstances. In several states, the dominant castes constituting the ruling elites may be reluctant to part with power in any significant measure. Even assuming that some states will have enlightened enough leadership to transcend self-serving considerations, there may be nagging doubts about the wisdom of politically empowering panchayats controlled by the already powerful in social and economic terms. Any zeal to decentralise may be moderated by the sobering thought that feudal structures and panchayats do not go well together, for the combination further weakens the disadvantaged. The argument has been around for a long time that structural change through land reform is an essential prerequisite to empowering panchayats. But so has the counter-argument that democratic panchayats will, at least in the long run, foil feudal power. It is such considerations that have produced varying patterns of underdevelopment in the panchayat systems of nearly all the states.

West Bengal's panchayats are by far the most developed in the country. They are the first in the country of a new generation of panchayats in which political parties openly participate in elections. In the earlier generation, panchayats were consciously sought to be kept apolitical on the ground that politics would promote divisiveness and retard development. The Asoka Mehta Report, 1978 favoured open participation by political parties as this would "ensure clearer orientation towards development programmes and facilitate healthier linkages with higher level political processes". West Bengal immediately opted for political panchayats. Secondly, the panchayats of the state have by now endured long enough to be treated as essential components of the states' system of governance. The first panchayat elections were held in 1978 and since then elections have been held regularly every five years, the fourth in the series being due on May 30. In most other states, panchayat elections are not held on time. In the three states that followed West Bengal's lead with their own versions of political panchayats, viz, Karnataka, Andhra Pradesh and Kerala, the experiments did not survive changes of government at the state level. At present, therefore, West Bengal is the only state which has going political panchayats.

On coming to power in 1977, the Left Front government embarked upon a programme of rural measures which had two legs, panchayats and land reform. Even prior to the enactment of the West Bengal Panchayat Act in 1973 and long before elections on its basis were held in 1978, the concentration of land in a few hands had been substantially broken. This was because, during the years 1967-70, a massive drive had been undertaken under the first and second United Front governments to detect and vest lands that had been clandestinely retained by landowners beyond their entitlements. Over a million acres of good agricultural land had thereby been taken over. This considerably weakened the hold of the big landlords who had traditionally led rural society because of their dominant economic and social position. Thus when the first panchayat elections took place the power structure in the rural areas had already altered substantially. As a result, instead of empowering the already powerful, the panchayats in West Bengal placed power in the hands of new-comers who belonged to a middle category of society. The dedicated work of this group is responsible for the present standing of West Bengal's panchayats.

Over the years, West Bengal's panchayats have achieved two important objectives. First, they have recruited new people into politics and given them on-the-job exposure to the art of self-governance from the grassroots level upwards. They have thus served as nurseries for new entrants and have by now created a rich pool of experienced leaders. What is particularly impressive is the high rate of new intake. In some of the panchayats, only two or three members are survivors from the previous five-year spell, all the rest being new-comers. Also impressive is the 'upward mobility' to be seen. Many panchayat functionaries have on the basis of their performance, moved up to higher levels. Successful former sabhadhipatis have become ministers in the state government. Second, in spite of some deficiencies and weaknesses, the state's panchayats are regarded as a success story by almost everyone, regardless of political affiliations. An index is the vigour with which panchayat elections are fought. Acceptance by the people is the most significant aspect. To a considerable extent, there is now acceptance even by that last bastion of conservatism, the bureaucracy, especially its younger elements.

As a result, West Bengal is well placed to be the first off the mark with self-governing panchayats, much as it was with political panchayats 15 years back. But other states may not find themselves as happily situated. Some have virtually no panchayats; many have ineffectual apolitical panchayats; a few have had experience with political panchayats. All are now required to move on to self-governing panchayats. It will be interesting to see how far they succeed in bringing a third

Surat under the Raj

Vinay Lal

Rhetoric and Ritual in Colonial India: The Shaping of a Public Culture in Surat City, 1852-1928 by Douglas E Haynes; University of California Press, Berkeley, 1992; pp 363, $ 49.95.

THE accommodation to, and contestation of, colonial rule by Indian 'elites' has long been a subject of great interest to historians of modern India, and Douglas Haynes' monograph, which focuses on the politics of Surat, is a contribution, albeit with a difference, to that literature. One would have thought that this subject had been pretty much exhausted; indeed, over the last decade or so the more prominent works in Indian historiography have taken us along different directions, so that the voices we hear now are mainly of women, peasants, rebels, and other 'subalterns', and government functionaries or English-educated Indians do not appear to be the only sources of 'agency'. Haynes returns us to a preoccupation of the earliest literature, that is the appropriation by Indians of liberal or 'western' political values, but he does so with interpretive models that in his view owe more to Gramsci, ethnohistory, and 'cultural studies' than they do to Weberian social science, which has long been dominant in the American academy, with its emphasis on 'modernisation' 'westernisation', and rationality. Haynes proposes, in short, to infuse his work with a focus on "politics as symbolic action and discursive practice", so that the intrusion of democratic values into political life is seen less as the consequence of "forces external to the political process" than as a process resulting from "day-to-day struggles for power and justice under colonial domination" (p 5). Haynes rejects the 'evolutionary' model whereby the emergence of democracy is seen as "an outgrowth of a universal human drive for freedom (as defined in western terms)" and the acceptance by the non-western world of the values associated with liberalism as somehow "natural". It is the tension between the appeal of western ideas, and the constraints that colonialism necessarily imposed in the shaping of a democratic ethos, that informs Haynes' exploration of the political culture that south Asian elites set out to fashion for themselves.

It is with a quick sweep that Haynes traces the history of Surat from the 17th century, when it occupied a dominant place in India's domestic and international trade, to the late 19th century, by which time it had been reduced to something of a mofussil town, certainly a pale image of its former self, hovering in the shadows of Bombay's gigantic hulk. The 'serious contraction' in Surat's economic activity owed a great deal, in the first instance, to the "growing insecurity of trade routes in the Mughal empire" and increased pressures upon traders by Mughal noblemen, and secondly to the establishment of British colonial rule Throughout this period of decline, and indeed into the 20th century, there remained intact what Haynes, obviously invoking E P Thompson, calls a "moral economy of domestic manufacture". Business relationships were built around certain social ties, whether constituted as "joint-family, caste, community, and patron-client relations", which ensured that even in times of hardship and financial insecurity merchants and artisans were not left without some means of pecuniary support. As Haynes points out, an understanding of this moral economy would suggest the severe shortcomings of social science models that posit an incompatibility between these kinds of social structures and market-oriented economies (p 39). Although colonialism wrought great changes, and compelled the residents of Surat to adjust to new institutions, such as railways, postal services, and customs, indigenous commercial networks displayed a remarkable resilience (pp 45, 46). Surat was not only able to retain its niche, howsoever small, within the metropolitan colonial economy by sustaining "forms of commerce that did not compete with European products", such as trade in pearls and spirals of silver and silver gilt, but it also reproduced 'pre-existing social relations' (p 50). Perhaps the transition from 'status' to 'contract' was not as complete as some historians have suggested.

Haynes moves from the larger picture to a more microscopic view of the different social groups that comprised Surat's population. Under the rubric of the inner politics of the city, he considers the idioms by means of which members of the merchant castes marked their presence, and also the place of Hindu 'communities of low and middle status', Muslims, and Parsis in the economic, social, and cultural life of Surat. Merchants engaged in religious giving because they, no doubt, saw it as a form of *dharmic* activity, but just as significantly it allowed the transformation of 'financial capital' into 'symbolic capital' that worked to generate and enhance their standing within the community. Religious munificence is, as Haynes notes, "common to Hindu commercial communities all over India", but it has had a special place in Surat and the rest of Gujarat (p 60). There the 'mahajans' with tightly knit organisations constituting a form of corporate activity, wielded an enormous influence not only in commercial affairs, but in the civic life of the community as well by endeavouring "to protect the economy of trust from being overwhelmed by a commerce based on contract and courtroom" (pp 62, 63). When, for example, famine struck in 1899-1900, the mahajans not only created Hindu orphanages, but also exercised pressure upon grain merchants, accompanied by the threat of sanctions, to cease all exports (pp 66, 67). Whatever the impulses of capitalism, and the institutional pressures of colonial rule, the inner life of the Hindu communities continued to reproduce a social order where questions of family status and reputation remained predominant, "in which older idioms of authority met the challenges posed by changes in the larger world", and "collectivities based upon descent often retained the cohesion necessary to enforce a wide range of groups norms" (p 80). Much like the Hindus, the Muslims and Parsis too persisted with the structures and idioms of their social life, and "not because of any inherent intransigence to change", which is what those who argue for an inalienable divide between a 'stagnant' India and an ever changing west would like us to believe, "but because these social forms remained relevant to the material and psychic needs of the population" (p 80).

Surat's residents lived, from the 16th century onwards, under the rule of outsiders. The 'outer politics' of the city was thus characterised by accommodation to the Mughals and then the British, and this took the form of deferential behaviour, tribute, acceptance of imperial patronage, and even small acts of resistance. Haynes does not dwell very long on Surat under the Mughals, for it is the advent of a new public culture under the British, succeeding the initial establishment of what Haynes calls the 'Anglo-Bania Order', that is the subject of his study. In the evolution of this public culture, 'public opinion' was to assume great importance, for, though the colonisers might argue that

France. The war also required the introduction of exchange control and its administration was the responsibility of the Bank—a task not much to the taste of the Old Lady, especially as it involved direct contact with the public. On the whole, work increased greatly while staff declined. In consequence, office machines found their way into Threadneedle Street, but more importantly, the employment of women in the Bank shot up. Very early in the war, in 1940, the number of women employees exceeded that of men and this position, we are told, has continued unchanged.

The position of women employees is one of the most interesting strands that run through the book. The bank is seen as always awkward and often ambivalent about its women staff but not entirely because of male chauvinism. Much of the work in the Bank was dull and routine in nature, but the standards of quality, accuracy and efficiency expected were very high. Not very much is said in the book about pay scales beyond a footnote to the effect that they were higher than those of clearing banks, but with the differential declining. Men of the type the Bank wished to employ were put off by the prospect of several years of routine work before reaching a position of some responsibility. Women were naturally worse placed. The worst job of all, that of examining and counting notes, was reserved for them. It was cheaper for the Bank to have this vast and fast-growing work done by lower-paid women and 'young persons', or girls recruited at the relatively tender age of 16. The other female preserves were typing, filing and operating office machines. There were enough women employed in all these jobs to require a supervisory functionary (a woman of course) designated 'Controller of Women Clerks'. Nevertheless, finding sufficient women clerks was a problem. The schools from which 'young persons' were recruited began to advise their better students against joining the Bank. There were other deterrents, apart from the nature of work, such as the need to work on Saturday mornings and—this is likely to amuse many—the absence, in the Bank's 'city' environs, of such facilities as shops for food and clothes "which made life easier for working women".

The war did provide opportunities for women to prove their worth, especially in the Bank's branches where their skill at virtually all the jobs previously done by men was noted "with a faint but perceptible air of surprise". Nonetheless, women did not derive any lasting benefit from the war beyond the suspension of two restrictions, the requirement to quit service on marriage and that to come to work dressed only in plain, sombre coloured clothes. But women continued to have separate lunch sittings—and they were denied job opportunities at higher levels.

It has to be added that the Bank was concerned about this state of affairs. In 1958, after "five years of almost continuous examination of the problems of the relative positions of men and women in the Bank", a new 'Scheme of Classification' of the staff was adopted. This included a category called 'Classed Staff' which comprised men and women working together under similar conditions of service. But even with this it would seem that women did not get very far very soon. In the most important sections of the Chief Cashier's office known as 'Rooms 1 and 2', where a small group of specially selected clerks finalised the Bank's accounts and analysed the figures, it was only in 1959 that a woman "did the books". This was apparently a landmark event as Hennesy records the name of this woman. She adds "several more years passed before another woman did so".

All these details of the problems that attended the appropriate staffing of the Bank of England illustrate a very significant feature—that there was (and very probably is) no short cut to a high position in the institution and no direct appointments at the top, which meant that a respect for the professional expertise of the Bank of England was a part of the British tradition. The book records the nurturing and development of that expertise through the importance given to staff training, primarily at the instance of governor Cobbold. There are a couple of references to discontent among the staff, but nothing else is added. Tensions in personnel relations are largely ignored by the author either because they were not considered serious or out of a deliberate attempt to play down unpleasant events. If the latter is the case, the picture of the Old Lady's domestic situation cannot be considered complete.

At the same time, Hennesy's light touch renders even dull, mundane subjects interesting. For instance, the chapter on Note Issue contains, apart from details of printing, cancellation and destruction of currency notes, an engrossing account of the hassles involved in the issue of a new series. We are told of the tensions that followed the decision to use the Queen's portrait on a new £ 1 note (the first such royal appearance) with sharp differences of opinion between the artist designing the note and the society photographer responsible for the special portrait.

Hennesy is equally felicitous in dealing with more substantive matters. The Treasury-Bank relationship is not entirely outside her purview, though her interest in this subject of perennial relevance is mainly in regard to the introduction of exchange control—something of a trauma for the Old Lady. The importance attached to guidance to emerging central banks is described and there is a remarkably clear account of the profitability of the Bank. This includes certain special features (the direct transfers of the profits of the Issue Department to the Treasury and the fact of the profits of the Banking Department being taxable) as well as the ways in which reserves were built up. This discussion brings to light the extraordinary secretiveness that characterised the Bank's relationship with the public, which made the Annual Report of the Bank of England "the dullest central bank report in the world" (R S Sayers quoted by the author). That the Bank had a responsibility in gathering, interpreting and publishing important financial information was accepted only after the Radcliffe Committee reported.

Regrettably, the date of that crucial report more or less coincides with the end of the period covered by this book and the reader cannot help a slight feeling of frustration. In the course of the book the author herself remarks on later changes in the Bank's set-up. Governor Leigh-Pemberton in his Foreword says, "the Bank described here is very far from the Bank of today". He commends the book "both to those who know the institution from inside and to those who know it only by repute". The first category can fully enjoy this purely historical sketch of what the institution was like in the fairly recent past. But the latter category, the lay reader, will keenly miss the absence of an updated picture, especially as it will necessarily have to be a long wait for the next instalment of the official history of the Bank of England. Britain has a thirty-year ban on public access to official documents.

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Consent, Agency and Rhetorics of Incitement

Kumkum Sangari

Women's agency or transformative capacity remains problematic in both theory and practice because women are simultaneously class differentiated and subject to the frequent cross-class expansion of patriarchal ideologies. This article discusses the socially structured and often sanctioned forms of indirect agency in their specific articulation of consent and resistance as significant signs of the ways in which men and women make their history or are inhibited from doing so.

WOMEN's agency being a contextual question there are dangers even in modest generalisation. Nor is any generalisation feasible about Indian women. This essay is confined to posing a few problems about a working notion of women's agency or transformative capacity which may help in more rigorous contextualisation. The centrality of the question of agency for feminists, both in relation to practical organisation and to historical reconstruction, needs little elaboration. Marxist and socialist feminists have worked with a notion of direct agency, at the point of its emergence into self-consciousness and its transformation into collective political will. However, women's agency remains problematic in both theory and practice because women are simultaneously class differentiated and subject to the frequent cross-class expansion of patriarchal ideologies, their agency is not open to historically self-evident modes of collectivisation. I think more attention needs to be paid to the existing definitions and constitution of agential structures for women in order to forge interventionary possibilities adequate to a thoroughgoing politics of change. In this essay I will discuss an area seldom taken into account, that of socially structured and often sanctioned forms of indirect agency, in their specific articulation of consent and resistance, as significant signs of the ways in which men and women make their history or are inhibited from doing so. In order to understand consent, a major impediment to organised resistance, we need to work with a notion of materiality which can extend from minuscule arrangements of daily life to broader features of a social formation as well as work towards a sharper understanding of the differences between the nature of change brought about through individual acts of resistance and through collective, organised resistance.

Feminist recognitions of systemic regularities and 'generic' similarities—both in and across historically and socially specific contexts—have been a poignant and revealing enterprise which have persistently renewed the question of structures. Conceptions of individual or collective transformative agency and struggle are vacuous without an accompanying understanding of their dialectical relation with determining material, epistemic, institutional and ideological structures which they both reproduce and transform. Perhaps structures are best seen as multiple, intersecting, at some levels interactive [Leacock 1981, p 218] and at other levels in dialectical contradiction, and structuration grasped as a continuous, renewing, changing, unresolved historical process. At once determined and determining, the condition and outcome of human agency structures are not a fully fixed a priori—some may be in place, others being evolved by or displaced through the conscious collectivisation of agencies.

I

It may help to begin with two broad definitional tendencies which inflect a great deal of contemporary writing on Indian women, and which have made it difficult to situate, understand or evaluate women's agency. In liberal schemes (often carelessly incorporated into mainstream history of different political persuasions) a historical process which has produced the split between the political and the economic as well as an ideological division between the public and the private as discrete domains, is unquestioningly analysed in its own terms. This has led to conceptually identifying women's agency with direct or conscious political action and with direct participation in the capitalist labour process. Not only does such a conception of agency usually devolve on narrow notions of political or economic participation, but it is based on a devaluation of women's labour and an overvaluation of their social passivity. The work of several socialist and Marxist feminists has shown that the domains of both the political and the economic expand considerably when they are gendered, and has challenged the notion of women being either peripheral or passive [Etienne and Leacock 1980, p 4]. However, procreative activity, household labour, subsistence labour and other forms of the sexual division of labour are seldom integrated into the political economy. The division of public and private into discrete domains, when taken as an a priori instead of as a changing historical variable functions as a form of obfuscation. The effects of this division at a given historical moment—women's lack of direct access to the 'public' sphere or to direct forms of social action as well as the production of corroborative patriarchal ideologies—are used not only as an indice of women's existing agential capacity but become the theoretical grid through which their agency or emancipation is defined. This not only theoretically reproduces, even reinforces the division, but forecloses a rigorous historicisation of the categories of the private and the public [Sangari and Vaid 1989, pp 10-11]. In practice 'public' and 'private' not only interpenetrate in various, often systematic ways [Jaggar 1983, p 146] but are produced together, connected in relations of condensation or displacement and display different levels of articulation. In this sense the 'private' sphere is a distinct 'political' site for the direct and tangential formation of the gendered subject.

A major obstacle to the theoretical expansion of the political and the economic is the virtual absence of family histories even of 19th and 20th century India, with the notable exception of some field studies, by feminists. Without histories of the articulation of families with political structures and the economy, we can only speculate about the differential ways in which divisions between the public and private have been made both in terms of class and in terms of a sectoral development of capitalism in the past two centuries, the diverse household structures which sustain a specific mode of production, or indeed the nature of the household structures which sustain the complex articulation of surviving and emerging modes of production, the changes in the definition, corporate power

and affective relations of kin groups, the structural changes which occur for women with the insertion of families as a unit of consumption in the market economy and with the introduction of land as private property and commodity, the reorganisation of labour patterns (including the sexual divisions of labour) with individuals beginning to replace family units or kin-based groups, the loosening of family ties amongst migrant labour, or the extent to which the household remains a unit of production thereby giving a different leverage to the 'private' sphere. Apart from the complacent neglect of feminist issues and the consistent evasion of their capacity to alter our understanding of history as a whole, the changing and contingent histories of families have also been neglected because mainstream historians scarcely acknowledge other forms of productive activity or labour outside the designated spheres of artisanal labour, agricultural labour and the working class, and virtually refuse to acknowledge gender differentiation as an integral part of class formation. In the political domain it is becoming possible to indicate, at least superficially, how the state, implicated in familial ideologies, intervenes in the valuation and definition of labour, as well as legally in marriage, inheritance and other areas endorsing and reproducing divisions of public and private. However, at least three significant areas remain obscure: the way at any given time the state changes the wider context in which local and kin-based power structures operate; the degree to which state structures penetrate local power and authority structures and so become involved in the manipulation of marriage, caste or kinship rules; and the range of actions which take forms that are difficult to fit into commonly understood typologies of organised political activity [Moore 1988, pp 131, 179].

On the other side, a side often more alert to feminist issues, an equally narrow culturalism has emerged in which the subjectivities and perceptions displayed in literary or cultural production are projected as the privileged if not sole forms of women's agency. The creative activity of women is not only pitted against an amorphous notion of patriarchal restriction but also posited as a separate transgressive space—a space for overly individualised 'private' resolutions. These resolutions, howsoever worthy of attention and respect, seem to make any direct, collective confrontation of power structures redundant. One problem in such analyses is that patriarchies, themselves seen as either ideological constructs or as a set of more or less customary constraints in the 'private' sphere, become either a singular or inverse determinant of women's creative activity. Where they are a singular determinant, the other material and historical co-ordinates which suffuse even the formal properties of literary and cultural production are ignored while discursive and ideological constructions are presented as if they operate outside the play of other determinations. Ironically, this only functions to circumscribe the wider social agency of the very modes of cultural production being valorised. The projection of patriarchies as an inverse determinant is underwritten by the curious assumption that patriarchies preclude creativity *per se*. All forms of social inequality undoubtedly block off a great deal of human potential but equally we know that in pre-capitalist social formations, divisions of labour by caste, class or gender produced specialised enclaves of creativity, including artisanal forms, which often made for the 'aesthetic' deepening or enhancement of certain forms of daily labour. A characteristic fallout of the writing within such a framework—which displays different degrees of investment in the 'necessary non-correspondence' of the ideological and the material—has been the naive separation of 'cultural' from 'material' agency, whereas in fact since patriarchies are sustained in both base and superstructure in ways which mark the reciprocity of the two, the material factors which shape women's agency are seldom separable from the cultural forms or practices which embody them. Indeed the issue here could well be that of the ideological determination of women's access to either socially accepted languages for expressing or political modalities for constituting individuated and collective interests.

A related tendency is visible in reviews of the spheres of 'power' reserved for women in 'traditional' and 'semi-traditional' societies like ours. Quite apart from the frequent rehash of the tradition-modernity binarism, here such spheres are read as signs of women's agency or as spaces for their subjectivity within recognisably unequal societies, or even as signs of the transgressive excess by which women escape being fully contained by social structures. Though often written from avowedly anti-enlightenment or anti-colonial positions, they display an inordinate and helplessly 'modern' respect for 'traditions' in a country which is both renowned for its many coercive and oppressive traditions as well as rich in lesser known strands of irreverence. This contemporary reverence for transgression and alternate spaces, howsoever feminist in its orientation, leaves little space for making alternatives outside traditions. Further, this reverence is but a short step away from interpreting women's access to all forms of power—even in conservative, indigenist or right wing formations—as self legitimising and/or inherently subversive. In political terms it amounts to a capitulative tendency and that too in a characteristically 'feminised' mode, i e, working through a play of compensations. Transgressions or subversions can perpetuate power structures unless they are linked to other collective, confrontative, radical forces of change.[1] On the whole, in evading the precise social content and ideological location of these valorised spheres of female 'power' and so of their subversive potential, this tendency implicitly refuses to recognise how patriarchies function.

Patriarchies—I use the term broadly to denote systems of subordinating women—function simultaneously through coercion or the threat and practice of violence, through making a wide social consensus drawn from and dispersed over many areas of social life and through obtaining in various ways, different degrees of consent from women. Women's agential capacity within so-called 'traditional' societies and accompanying discursivities may actually be one of the ways by which consensual elements in patriarchies are often made—for unless certain distributions of power are made within patriarchal arrangements it is difficult to imagine how any degree of consent from women can be obtained.[2]

II

In the following paragraphs I will sketch a working notion of patriarchal systems within a class differentiated social formation—referring only to patrilineal, patrilocal and not to either matrilineal or tribal systems. My emphasis will be on consensual elements which are usually neglected but are important in building an understanding of agency and my attempt will be to shift the locus of consent from victimisation and/or the ideological misperception of their own interests by women to the wide social processes in which patriarchies are embedded.

Women's agential capacity is distinct insofar as women are subject to the determination of patriarchal structures.[3] Patriarchies are resilient not only because they are embedded in social stratification, divisions of labour, other political structures, religious/cultural practices, institutions and categories, but also because of the contractual and consensual element in them, which along with patriarchal systems is open to constant and consistent reformulation. These elements, stretching across a continuum from acquiescence or passive acceptance to active collusion,

need to be analysed not only as produced through the coercive and ideological operation of patriarchies, but also as specific articulations of patriarchal ideologies and material factors: the bases of these elements, which lie in the social structuring and particular material base of a patriarchal system, also seem to inhere in the very mechanisms of its reproduction—a process to which women are subject but of which they may also be agents. The persistence of these elements may have some connection with the fact that the modalities of the reconstitution of a patriarchy work through both overlap and reformulation: over a period of time, its various constitutive elements may have different durations and tempos of change. Women's consent is neither an essential nor a historically frozen category, but a part of this uneven process of the reconstitution of patriarchies.

The question of consensuality is a complicated one. Since patriarchal systems are linked to others, neither the consent nor the resistance of women can be interpreted as a manichean drama with an enveloping patriarchy alone. So when women accept, consent to, are complicit with or invest in patriarchal values, practices or arrangements, it need not be construed as consent to these alone since the patriarchies they are subjected to are simultaneously located in specific modes of production, in class structures and in particular forms of caste-class inequality. Conversely, patriarchies help in inculcating an acceptance of social inequality in different historical periods and in making structures of deference which are wider than the relations between men and women. In other words, patriarchies are not only laterally related to other structures of legitimisation but enter the wide dialectic of social legitimisation needing commensurate broad-based forms of collective resistance. (However, while patriarchies are variously related to other structures of social inequality, they remain distinct and are not collapsible into them.) Though the relation between classes and patriarchies is complex and variable, being both direct and indirect, and class formation and social differentiation are themselves uneven and contradictory processes, even so women's consent or investment may extend to those structures in relation to which that particular patriarchy operates and is open to a class differentiated analysis. Further, consensual elements may either be garnered from without or honed from within patriarchal arrangements. Consequently, the problem of evaluating the hegemonic power or social effectivity of a so-called determinant is knotty, entangled with many other questions about the role it plays in the reproduction of patriarchies and other related structures, as well as about the nature and degree of the articulation of particular patriarchal structures with others. I would go so far as to say that just as the conditions which govern women's consent are wider than patriarchies, so women's consent may itself be one of the nodes of the condensed articulation of patriarchies with other social structures in specific historical conjunctures.

The means by which a degree of reciprocity is established for consensual and contractual elements in patriarchies may be both material and ideological; careful analytic distinctions would need to be made between consent resting on material arrangements which guarantee women rights, compensations or protection ((despite the usual asymmetry between rights and obligations), consent resting on ideological ensembles which offer at best precarious, at worst illusory rights, compensations or protection, and consent resting on forms of coercion which push women towards normative behaviour.[4] The consensual, contractual elements combine agential power with subjection for women and produce a mixture of consent and resentment. They would seldom produce just consent. Nor is there anything straightforward about the element of consent since it may rest on a series of factors ranging from wide social consensualities, economic dependence, social pressures congealed into structural necessities or dispersed as moral systems, the pull of affective relationships and the perceived legitimacy of the offer to protect women from the patriarchal violence of other individuals or groups. The particular articulation of consensual and coercive elements within patriarchal systems would also be shaped by a range of other factors including the nature of women's access to resources and insertion into the labour market as well as the interplay between women's productivity or participation in 'recognised' forms of labour and in 'invisibilised' forms of labour. Even so women's implication in the contractual, consensual elements of a patriarchy, not only puts them in a contradictory relation with that patriarchy itself but also tends to situate their social agency in fairly contradictory fashion as both complicit and transgressive. There is not much to be gained in valorising one term over the other, both need to be seen in relationship to each other and to the reproduction of any given ensemble of social relations.

A class differentiated analysis of consent would need to bear in mind that while patriarchal arrangements differ, and sexual divisions of labour occur within a specific set of social relations, patriarchal ideologies have more fluid, permeable boundaries. Women from the propertied classes or the upper layers of social hierarchy should especially be looked at in the full range of complicities and extracted compensations. Women may often derive their class status from men but they conjointly live out class relations and participate in their reproduction. They share to some extent the structural capacities derived by the class as a whole by virtue of its position in the relations of production. The modalities of their oppression deny women from the upper and middle strata many of their interests and rights (both *de facto* and *de jure*) but do they deny all those which accrue to a class? Does their consent rest on the pincer logic of bondage produced through caste-class affiliations and privilege or power excercised over others? We have to think quite seriously about the class, caste and communal assertion which is built into patriarchal norms, as for example the good wife in middle class domestic ideology, or the chaste upper caste Hindu woman. Both carry a set of aggressions and are not as innocuous as they seem. In other words the question here would be about the forms of social agency which can accompany normative patriarchal ideologies and the degree of customary or class or otherwise institutionalised power they provide some women over others—whether men or other women.[5]

Women from the labouring classes, who broadly speaking are not in a position to exploit the labour of other individuals or classes, are subject to different patriarchal systems, though some aspects of these are structurally related to the patriarchal practices and ideologies of the upper strata, their 'consent' is nuanced differently, often even centred on the facts of their wide-ranging social subordination. Tied to the family unit in an economy of survival, subject to the coercive patriarchal practices of their own class as well as to the exploitation of their labour and sexuality by upper strata, women's 'acceptance' is poised at the nodes where at least two contradictions are at their most acute: that between the economic and ideological dimensions of the family as well as that between the myth of the responsible male protector-provider which men are either unable or unwilling to live up to and the reality of women's labour as being an indispensable and sometimes primary source of the family subsistence.

Given the complications of consent, our starting point could well be to formulate the questions which are latent in just this insistent, structural pressure produced by women's contradictory location in patriarchies: who or what women's

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EXPORT-IMPORT BANK OF INDIA

AUDITED BALANCE SHEET AS AT 31ST MARCH, 1993*

LIABILITIES

		Rs.
1	Capital	335,57,71,329
2	Reserves	181,87,24,706
3	Profit & Loss Account	12,00,00,000
4	Notes, Bonds & Debentures	523,95,00,000
5	Bills Payable	—
6.	Deposits	—
7	Borrowings	1103,37,67,795
8	Current Liabilities & Provisions	245,03,94,683
9	Other Liabilities	214,05,19,391
10	Reserve for possible loan losses	77,59,60,895
	Total	2693,46,38,799

NOTE: Other Liabilities inlcude Rs 109,89,32,148 being Reserve for Exchange Fluctuations in respect of foreign currency assets.

CONTINGENT LIABILITIES

Acceptances, Guarantees, Endorsements & other obligations	1213,37,27,000

ASSETS

		Rs.
1	Cash and Bank Balances	143,78,21,664
2.	Investments	250,84,23,937
3.	Loans & Advances	1667,91,39,902
4.	Bills Purchased, Discounted, Rediscounted	174,00,00,000
5.	Fixed Assets	8,89,55,466
6	Other Assets	448,02,97,830
7	Profit & Loss Account	—
	Total	2693,46,38,799

NOTE: Foreign Currency bank balances equivalent to Rs 1648,93,54,718 held on agency account and the corresponding amounts payable, subject to fulfilment of certain conditions, are not included in the above Balance Sheet

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1993

EXPENDITURE

		Rs.
1	Interest	127,50,87,245
2	Credit Insurance (including Guarantee Fee)	1,12,02,436
3	Staff Salaries, Allowances, etc. and Terminal Benefits	2,15,66,653
4	Directors' and Committee Members' Fees and Expenses	—
5	Audit Fees	65,000
6.	Rent, Taxes, Electricity and Insurance Premia	2,06,47,982
7.	Postage, Telegrams and Telex	80,05,703
8.	Legal Expenses	4,28,853
9	Other Expenses	5,43,15,486
10	Depreciation	2,86,07,149
11	Transferred to Reserve for possible loan losses	—
12	Profit carried to Balance Sheet	** 46,71,31,740
	Total	188,70,59,247

INCOME

(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions.)

		Rs.
1.	Interest and Discount	183,99,43,447
2	Exchange, Commission, Brokerage and Fees	4,18,80,356
3	Other Income	52,35,444
4	Loss carried to Balance Sheet	—
	Total	188,70,59,247

** of which Rs 34,71,31,740 is transferred to Reserves and Rs 12,00,00,000 is payable to Government as dividend on capital

*Abridged and relates to the General Fund.

THE PAST DECADE : HIGHLIGHTS

- **Business grows annually by 28 percent**
  Loan sanctions increase by 28 per cent
  Disbursements increase by 32 per cent
  Loan outstandings increase by 30 per cent
  Guarantees issued increase by 23 per cent
- **Export bids increase annually by 50 per cent**
  - Export bids approved aggregate Rs. 50,000 crores (approximately)
  - Export contracts finalised aggregate Rs 6,500 crores (approximately).
  - Exports to 60 countries.
- **Export markets, products diversify**
  - New products: Design, manufacture, supply and commissioning of gas turbine generator sets in Malaysia, an example of a turnkey project; civil construction work of laying 211 kms pipeline for transportation of petroleum products in Indonesia, an example of a construction project.
  - Service contract for operation and maintenance of a cement plant in Saudi Arabia.
  - Printing machinery and silk designer garments to USA, tissue culture plants and studded jewellery to Japan, hand made carpets and dried flowers to EEC, examples of product exports.
- **Components of our strategy**
  - Competitive finance for product development, investment capital, export vendor development, export marketing and term export credit.
  - Export advisory services.
  - Analytical research on markets and export opportunities.

All a part of a composite strategy.

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agency is on behalf of, the quality and precise nature of the combination of power and subjection, the cost of either such power or of subsistence within compensatory structures for women. Do we want them at all? Are all modes of empowerment for women equally desirable? Do we prefer to define ourselves not merely as we are but also as we would wish to be? Are the rights or compensations on which consent rests structurally available to all women of that group or to some? How would collective struggle effect them? How far do contractual and consensual elements persist because of the absence of external support structures for women and how far do they actually inhibit their formation?

As far as the question of the contradictory structuring of women's agency within families is concerned I think analyses need to be reinflected in at least two ways. Firstly, we need to attend to the gap between familial ideologies and the family as a social entity or a concrete constellation of relationships and resist the tendency to read the desired ideals of familial ideologies as the existing structure and organisation of households at any historical moment [Coontz 1980, p 13; Moore 1988, p 117; Barrett 1982, p 85]. Given the plethora of ancient and modern prescriptive texts which have functioned as modes of ideological homogenisation disguising both the contests undertaken and the actual heterogeneity of family arrangements, it is misleading to read prescriptive texts as unproblematical descriptions of family forms: familial ideologies are not reproduced mechanically in the family as a material institution.

Secondly, families need to be seen not merely as an undifferentiated site of women's socialisation and oppression but also a site of struggle and of the daily recreation of inequality in which women participate. In at least the 19th and early 20th centuries, class formation and emergence has not been tantamount to class solidarity; given the range of intermediary strata between direct producers and the state, horizontal affiliations have continuously been made in part through reconceptualising the family as a social unit, a unit for the social reproduction of caste and class inequality. From the 'middle-class' writing of this period, there is evidence not only of the contentious relation between existing or emerging ideologies and actual household arrangements but the family also appears to have been a self-conscious arena of heated battles about the regulation of sexuality, the definition of gender roles, control over marriage and reproduction. At the same time, familial ideologies—compounded of romantic love, female nurturance and self-sacrifice, masculine protection and financial support—were becoming a way of distinguishing between classes. With upward mobility being uneven, significant differentiation emerged within families even generationally: there is ample evidence of the differential enactment of class as a relation by individuals within a family—in nuclear units identifying with wider kin networks, in extended families, and in the nucleated units of semi-extended families. Different external class locations being played out by individual members within a family surface in memories and descriptions of conflicts, rivalry, shifts in power, resentment, and were sought to be resolved in a fixing of status through various kinds of family narratives. Further, in these narratives individuals appear as the complex bearers of past, emergent and desired class positions. How were women located in such intra-family class divisions? What was the nature of the contradiction between the moral onus on women to hold family units together and the actual suspension of morality in such friction or abrasions within the family? One facet of this may be the evident struggle over control of available resources. Women seem to have been as much a party to this as men especially where household resources were concerned. The politics of the household seem to be structured according to the degree of access women have to patriarchal power (as for instance the mother-in-law), in the form of some control over the redivision of household labour among women—daughters, daughters-in-law, unmarried women and especially widows, over marriage alliances, over sons and in other forms accruing from an acceptance of delegated or surrogate patriarchal roles which included the surveillance of other women. Not only did these produce tension among women but ensured that in family situations women were only able, if at all, to form an uneasy collectivity. Is it that consensual elements in patriarchy functioned to divide women both within the family and in a broader sense? Did the struggles within 'middle class' families for power open avenues of 'compensatory' power for women though they seldom altered their position in other ways? Did the invisibilisation of women's household labour also push them into compensatory structures? What was the precise nature of the articulation of affective relationships and material factors in families as well as the nature of the bonding which took place across this range of contradictions?

III

The question of feminist historiography is an extensive one and here I will discuss only a few aspects related to agency and consent.

The historical constitution of notions of 'female agency'—as offered cultural abstractions—have an especial bearing on the problem of historical reconstruction and constitute another reason for discarding the simplistic notion of a woman acting for 'herself'. Who is she? So thoroughgoing is the social constitution of notions of femaleness, self or identity, that the question of women's agency is inescapably linked to or determined by other available histories—family, class, religion, other existing notions of moral order, extant modes of individuation and collectivisation. With patriarchies being tied into cosmological or bourgeois moral notions, women's consent may not always be instrumental or 'rational'.

The question of dispersed social 'identities' also arises; women's identity like other social identities need not be sought along a single unified axis. It may be useful to interpret multiple identities through several crises-crossing ideologies rather than a single one. However, these multiple identities may exist, not as atomised entities but in significant relation with each other at other levels of the social formation, especially since hegemonic ideologies may themselves operate at different sites.

One problem of historical reconstruction then hinges on understanding the particularly complex relation which obtains between social practices and representational forms. Since patriarchies function in and through relations of production and divisions of labour as well as through diverse forms of discursivity, the material and discursive are mutually implicated—but there is no single relation between the two. Material and discursive modes of constituting women's agency may coincide or conflict. The connection between the material and discursive may not always be open to direct description; it may be more available through the contradictions and consensualities generated, which serrate both offered ideologies and enacted agencies. Indeed, the peculiar emphases of consensualities is one way of marking a possible or latent contradiction. For instance, prescriptive condensations and narrative elaborations play out consensualities in different ways. Prescriptive texts may be as much histories of dissent and social contests—since patriarchal ideologies too are formed through processes of social contestation—as of hegemonic ideologies and achieved cohesion. Their desired ideals are open to being measured against the social 'imperfections' or 'aberrations' which they seek to contest or eradicate, and they require sustained analysis as thematised, mediated, often contradictory documents. Further, though they function as pressure, offered prescriptions and ideologies, however

stringent, are seldom identical with enacted agencies or the actual range of possible choices.

Nor can a straightforward opposition between prescription and agency be maintained. Rather, for feminists it remains important to see women as evaluative agents, even as simplistic and essentialist notions of women are rejected and a sense of how deeply women are embedded in ideological and epistemological structures is retained. Even when evaluation is not articulated or part of an explicit political, collective self-consciousness on the part of women, there may be an implicit evaluation of patriarchal structures acting as both horizon and limit (enabling certain forms of agency while restricting it in other forms), as well as of the forms of agential power available or denied within patriarchal consensualities.

Narrative elaborations, each bearing their own social and formal histories, refract, work out, extend or repress potential social agencies, they can play a significant role in making relationships between offered and practised agencies, re-entering the latter into evaluative systems of ascription and so may even attempt to refold widening social agencies into normative modes. Narratives themselves need to be evaluated in a matrix of social practices, especially since they may, situationally acquire direct agential roles. Perhaps the degree to which a narrative or prescriptive unit (or for that matter any particular structure) is implicated in both base and superstructure, will effectively increase its capacity to determine, as indeed will the degree to which a particular structure is dispersed in the social realm as well as over time as a culturally consolidated or sanctioned unit. That is why in looking at the sedimented histories of prescriptive and narrative forms, an understanding needs to be developed that they bear not only the histories of patriarchies but of many different social tensions.

The co-ordinates of women's agency need to be established—the conditions of possibility, of proscription, of loopholes, of contradictions—before racing to conclusions about it. How is agency being defined or redefined at that moment—in the range of material factors, historical circumstances and ascription? A transitional historical moment, for instance medieval bhakti or the 19th century, may open possibilities unforeseen in 'discourses' alone because of social disjunctures, the inconsistencies, or even schisms between women's agency as it is represented and as it is practised, the qualitative shifts in the historical constitution of volition, subjectivity, female knowledge, and the changing relation between moral strictures and affective structures [Sangari 1990, 1991]. The conjunctural sites of underdetermination are also of some importance: the points at which agencies slip through structures—in new situations, at transitional moments or in liminal areas; those factors which allow individual women to act differently, independently or even contrary to the demands of structured relationships; and the situational ability of individuals to act against their own immediate interest to maintain structured relations of collective power—e g, family, caste, community—leading to complicated forms of 'self' oppression and/or oppression of others. In each reconstruction the delicate and variable relations between ideologies and agencies comes up.

Historical reconstruction then becomes a matter of provisionally eliciting structures, through the aggregation of actions, events and agencies, of narrative, prescriptive and other discursive genres and performative modes, of divisions of labour, mechanisms for the generation of surplus and the distribution of resources, family forms and households arrangements, and so on. Through the juxtaposition, collisions, contradictions of these not only could practised agencies be reconstructed to some extent, but a recursive relation between structures and agencies may be tentatively established.

At one level, 'structure' is an approximation through analytic abstraction, a cognitive grid of a social terrain more complex or dense than the sum of structures which may be seen to constitute it. Not only may a social formation contain a subjectively valid underlife of forces and events for which there may not be decisive evidence, and where the nature of these events or forces may preclude even immanently objectified traces [Brown 1986-87, p 158; Kaviraja 1989, p 36], but there may in social practices be inflections, asymmetries, interpretative possibilities, cultural densities, a range of actions and choices available to individuals which cannot be mechanically read off from structures. The scarcity of information (which accompanies the history of all but ruling groups) compounds this problem of historical retrieval for feminist historiography. Feminist historiography then exceeds normative rules of evidence, looking, as it must, at the frontiers of articulation for the props of patriarchal structures.

IV

Symbolic attribution, social ascription, ideologies and narratives interact in an emphatic way in maintaining the sexual division of labour and in structuring women's reproductive role; this combined with women's marginality in the ideologically defined public sphere, has often pressed the practised and ascribed agency of women into convoluted shapes, into shifting and displaced intentionalities. Social discursivities in turn have been important in determining the cultural forms which these convoluted agencies will, can or should take.

An interesting narrative unit of convoluted agency, female incitement, is dispersed in many social spaces as well as across time; it occurs as biography, autobiography, orality, cinematic type, political discourse of nationalist and now communal parties. The instances are numerous and many are common knowledge, from Surupnakha, Manthra and Kaikeyi in the *Ramayana*, Kunti, Vidula and Draupadi in the *Mahabharata*, to numerous Rajput women in 19th and 20th century narratives and now to party ideologues like Sadhvi Rithambara. A history of the proliferation and change of this unit in different 'formal' structures, its crystallisation as a culturally consolidated or sanctioned unit, would be an undertaking in itself. I will discuss it here, very briefly, not as an illustration of the foregoing discussion but only as a way of raising further questions.

Female incitement—women calling upon men to act—is a politically charged discursive unit which marks the entry of women (who may sometimes be under threat of sexual violation) into surveillance of a male 'public' domain by calling paternalistic patriarchy to account in recognised forms of surrogate action, or it may even mark the entry of women themselves into the 'public' sphere. It may exist at the tense interface of agency as it is ascribed to or proffered to women and as it is, often within these terms, represented in narratives or taken up by women in their lives and used, often unsettlingly, in ways which may reproduce or transform it. Incitement exists at the intersection between the 'political' and 'domestic', between gender relations and other power relations, occupies an uneasy boundary between the respective logics of women's consent and resistance rearticulating their relationship in different ways.

If, as a convenient entry point, a generalised semantic is extracted, it reveals three related features. First, that women share the values for which men are being incited and have a stake in the social relation which is sought to be preserved. Second, that they cannot act independently and directly on its behalf but must act through men: they can be the active custodians of those values and social relations but they cannot usually take action (generally militant or public) themselves. Third, that if incitement is to carry an inspirational connotation, women must

never name the social relation they are trying to preserve or present it as a personal or material interest; they can only name the abstraction—family, honour, religion, nation—to which that social relation is either directly attached or which mediates it. If women name it (or rather give it no other name?) and/or state their own personal stake in it, then it acquires a malignant connotation: they become status conscious materialists, conniving intriguers, women leading men astray, wicked manipulators.[6] In the naming and the not naming resides the distinction between villainous and heroic inciting women. Since men are usually perceived as having both rights and duties, while women as having primarily duties, any claim to 'rights', unless effectively disguised, becomes a sign of women's evil nature. The same structures which push women into forms of convoluted agency also produce or ratify misogyny, in this case as systems of representing and characterising that agency as malignant. Though both 'good' and 'bad' inciting women reflect a consensuality of values, the distinction between them also rests on the fact that in relation to both the constitution of social values and of material structures of inequality, patriarchal structures are part of a connected series. 'Undisguised' material or personal interests can be designated as illegitimate or malign female agency because by taking recourse to these women may interrogate or 'expose' not only the material bases of a patriarchy but also of a large number of social values, endangering the entire dense imbrication of patriarchal structures with the other related social structures. Conversely in its inspirational forms it can be legitimate—even be a sign of female strength—because it may actually assist in either integrating patriarchies with, or reformulating them in relation to, other ideological coherences or consensualities, for instance, those of 'community' or 'nation'.

At another level the inciting woman may represent a temporary control over male sexuality: she is putting male honour—ineluctably tied to male sexual potency and to the protection of women from sexual violation—at stake. Though she relies on a consensual value structure—at that moment she may stake male sexuality in a way calculated to wrest consent. For instance, if at that moment the man does not want to go out and fight, he will be branded a coward. Here a woman is exercising some situational control over a man's status (in a masculinist hierarchy) by laying him open to social castigation for being unmanly. She can through setting up a structure of incitement—which polarises success and failure—effect his social standing, insist on patriarchy as a structure of public accountability and so throw it into jeopardy. At this level incitement may be poised at moments of the perceived breakdown of the reciprocal, consensual element in patriarchies. It gesturally ties men down by invoking the potential humiliation of publicity (a mode of redress?), temporarily denaturalises patriarchal arrangements by displaying them as social and contractual and points at the precariousness of the guarantees offered to women by contractual and consensual patriarchal elements.

I would suggest that because incitement involves an exercise of power from a 'dependent' position that it is socially 'dangerous' for those men, whether as individuals or as groups, against whom it is exercised. Therefore it becomes acceptable if women incite in the name of something else, even when they represent themselves as victims, rather than if they incite in their own name. It is also on this issue that the line between benignly inspirational and malevolent female agency is drawn. Though the good woman inspires and the bad merely incites, the semantic structure is the same. In one she becomes the excellent custodian of value, in the other wanton with male sexuality and replete with self interest, even though she may be risking men in both. Ironically, since women suffer from the successes of a patriarchy and also from its breakdowns (especially of protection from other men) the stake in 'inspiration' is double-edged. Inspiration builds an ego, incitement threatens symbolic castration. Both produce social guilt, the one from transcendence, the other from 'exposure'. Both are agents. In practice of course the line between the two may be thin or fluctuating.

Any instance, such as that of Manthra and Kaikeyi in the *Valmiki Ramayana*, even when read cursorily, is considerably more complicated than the generalised semantic described above and raises its own specific set of questions. The contested nature of socially approved languages for embodying the interests of women, definitions of individual agency and of 'character', the nature of institutional forms, interpretative schemes and tacit consensualities which structure the episode of incitement are difficult to contextualise since the epic covers a protracted period of centuries and an extended even variable social space. Given the growing emphasis on chastity for women and the accompanying emphasis on primogeniture which is still contested as a norm, substantial alterations of social configurations, the transition from lineage-based systems to monarchical states, the shifts in sources of authority and of legitimation, the epic's incorporation of a whole continuum of social and economic forms [Thapar 1986, pp 147, 362-64], the different co-existing forms of marriage, the implied shifts from matriliny to patriliny [Chakravarti 1983], and the traces of polyandry among the Ikshvakus and the vanars which exist in the epic [Singh 1988, pp 139-44], how do we begin to conceptualise the reformulation of patriarchies and the shaping of convoluted agential modes for women? Are these produced through the contradictions of these transitions as they are encapsulated in the epic which compresses several layers of time?

The signal omission in the episode of incitement is any reference to Dashrath's promise to Kaikeyi's father in a bride-price agreement that her son would inherit the throne.[7] Whatever its historical coordinates may prove to be, the omission functions ideologically: as a transmutation of contradictions, shifting the coherence of the narrative from women's customary or contractual rights to women's marital obligations. This structuring evasion controls the reception of the epic: it delegitimises and villainises first Manthra then Kaikeyi, makes a 'victim' of Dashrath and inflects both the evaluation of the 'character' of the inciting women as well of the mode of redress they plan. Though the bride-price agreement simply does not enter the chain of causality or sense of motivation in this episode, in the early part of the 'Ayodhyakhand', it is not fully suppressed. It lurks in the conspiratorial air about the coronation: Dashrath in his haste omits to invite Bharat, explicitly tells Ram that it is better to have it in Bharat's absence since Bharat may begin to entertain evil thoughts and cease to be the good brother he is at present and tells Kaikeyi after telling his other wives and after the entire city has begun its preparations and crowds have collected, thinking that she will not know since the news has spread only that day. All of these amount to a subdued recognition of Bharat's claim to kingship. Almost at the end of the 'Ayodhyakhand', when the bride-price agreement is mentioned by Ram, it is in order to persuade Bharat of his eligibility for kingship! It is given no weight as a causal event. Ram does not say anything about Dashrath breaking his promise or anything to exonerate Kaikeyi. His brief, bland description neutralises the significance of the promise, impeding its social proliferation, deflecting the energy encapsulated in Kaikeyi and Manthra to disrupt desired social harmonies.

Manthra, Kaikeyi's nursemaid from her natal family, appears to speak the language of material interests: she implies

that Kaikeyi's son Bharat has an equal right to the kingdom and should have been given at least half of it; Ram's coronation will mean a final disinheritance since only sons inherit from fathers; Ram is selfish and once crowned will be vindictive enough to exile or kill Bharat; Kaikeyi, the proud, beautiful sexual favourite of the king who has spurned her senior co-wife Kaushalya will find her status changed since Kaushalya as Ram's mother will not miss the opportunity for revenge; the status of Bharat and his wives as well as the fortunes and suffering of Manthra are tied to Kaikeyi, and will be downgraded along with Kaikeyi's own who will now have to serve Kaushalya. Manthra peels away Ram's ideality—which the larger design of the epic obsessively establishes since his goodness is a validation of his right to kingship—calls Dashrath ungrateful, hypocritical, the betrayer and enemy of Kaikeyi, perceives the domestic situation as inherently conflictual even factional with Ram and Lakshman ranged against Bharat and Shatrughna. For her both fraternal and polygamous relations are the inevitable site of 'fission'. Her challenge to all forms of ideality goes against the grain of the epic.[8] The epic in turn is unequivocal about her wickedness, she is described as the producer of 'vishaad' (sorrow), 'bhed bhav' (dissension) the 'paapdarshini' who leads Kaikeyi to the road of sin. And yet even such a Manthra does not bring up the bride-price agreement. Is the unstated the assumed of consensuality, the inertia of common sense or does it exist at some frontier of articulation as the unsayable, even the unthinkable?

The plan hinges in part on what seem to be customary modes of expressing anger, presenting a grievance and seeking redressal or almost routine features for 'framing' women's discontent—the shedding of finery, the recourse to a display of suffering in an established 'krodhagar' (literally abode of anger) extracting a promise from the king before asking for the boons. One verse sympathetically describes Kaikeyi's lying on the floor as the action of an abla or helpless woman, who has taken the only form of action available to her. The 'krodhagar' speaks of an externality, assuageability and excess of women's emotion—women require theatres to play out emotions; as an institution which acknowledges polygamous relations as problematic, it organises the release of emotions at the point where they impinge on the domain of the king and state, but in a place which is still private and contained.

Manthra understands material interests as material (in contemporary vocabulary as rights); however, she does not advocate that Kaikeyi claim them as such, but rather as boons granted in return for her two earlier acts of bravery in saving Dashrath's life on the battlefield. Once she has made the plan her own, Kaikeyi adds to it a vow that if baulked she will starve herself to death in the krodhagar and later also uses the language of 'dharma' with Dashrath and Ram.

Why does a 'right' or justifiable claim change into a boon? What are the realities of the social world which the epic refracts? Is it that since Dashrath has already broken his agreement with her father and fixed Ram's coronation there is no likelihood of his changing his mind? Or is it that he cannot publicly reverse his decision except under stronger pressure? Or that only fathers and not daughters can enforce bride-price agreements? Is a boon a consensual method of redress and the only way to counteract male deception? What is the nature of women's access to a language for expressing individualised interests in relation to the power of emerging prohibitive systems of moral classification? Is it that a king's boon is coming to acquire more social legitimacy than a woman's right in the emerging language of dharma which Ram seeks to establish and Manthra and Kaikeyi use this knowledge?

The semantic of the boon itself forces us to reconsider what agency may mean here. A boon, granted for good deeds or behaviour (bringing in the huge question of the social constitution of morality) is a highly personalised, legitimate way of gaining power. So for Kaikeyi a boon could signify merit earned in her own capacity rather than as daughter given in a bride-price arrangement. As merit earned it may even be perceived as a special, unique yet enforceable right. The boon, though non-contractual, rests on a tacit mutual agreement in which the giver, in a position of power relative to the grantee, must obey his own generosity. And if the content and terms of the boon are not specified by the giver, or specified in the grantee's request at the moment of granting then it becomes a *content unknown* boon making the giver quite vulnerable—he does not know what he will be asked, he cannot withdraw without losing face, the sense of his own munificence or perhaps even his power to grant.[9] However, for the grantee a deferred boon becomes a way of covering any future contingency which may arise: Kaikeyi describes it as *dharohar*—trust or deposit.

Finally, unlike a boon asked from the gods, a boon asked from a king would have to be commensurate with his capacity to give: it would occupy the material domain of resources under his control or fall within the purview of his political power. Though a king's boon recodes 'rights' as favours or as bounty, it may be the only way open for a subject to express her will in relation to the king. Kaikeyi's convoluted agential mode, based on an understanding of hierarchy among women in the palace, may after all not be all that indirect. She can and has been refused a 'right', but she cannot be refused an already granted boon, unless Dashrath undoes his kingly status and sacred appointment. And yet what if this understanding is based not merely on the internal semantic of the boon but on the fact that the social location of the boon itself has changed from the time when it was granted? An auratic, non-contractual, personal transaction, an unequal exchange, arbitrary in the sense that it is embedded in its own codes but not governed by enforceable social laws is sought to be encashed at a moment when the failure to grant the boon would now be involved in a dangerous ideological delegitimisation of the state—a state hinging on contractual rights and obligations towards a choric, faceless 'praja' (subjects) encoded as dharma and 'satya'. Is the bride-price agreement redundant in the changed context? Are Kaikeyi and Manthra investing in the new order for their own protection, but uncertainly using a mixture of old and new methods?

Is that why for the boon to be honoured it has to be shored up, even encircled by a promise on one side and a threat of suicide on the other? All three appear to draw on existing and emerging structures of public acceptability. The three levers—the promise, the boon and the threatened suicide—draw respectively on the power of the favourite wife's withheld sexuality, the dharma of a king, i e, a structure of public arbitration, and making grievance public while placing the burden of guilt on the king. The first, a form of sexual coquetry—the withdrawal of favour—builds a context for asking—based on the only personal form of leverage Kaikeyi has.[10] The latter two rest on the application of moral pressure and production of guilt in a situation where she has no access to political power and also play on Dashrath's own repeatedly expressed fear of public perception and the opinion of other men. It is this fear that makes him recast his desire for Kaikeyi as a sign of weakness. There is an element of misogyny in the public opinion which acts as a virtually juridicial pressure on him; the recurring description of Dashrath as transfixed by the spell of 'kaam' (carnal desire) ironically confounds desire and dharma—the very existence of kaam falsifies dharma. Kaikeyi's threat of making his breach of promise public by telling

the 'rajrishis' could imply either an earlier notion of woman's customary right or a new system of public arbitration of a king's dharma. Indeed there is an uneasy relation between male authority and male obligation visible in the customary and evolving modes of redressal.

The tense relation of Kaikeyi with emerging 'rules' is evident, she is complicit with them in one sense but not 'knowing' or compliant enough in another. She argues in the name of abstractions—'satya', men's dharma, clan honour—in order to hold the weakening Dashrath to his word and later to put the onus of preserving or salvaging Dashrath's dharma on Ram. This enables her to taunt and fasten Dashrath and Ram to their self-representation, but does not prevent her from being villainised. And that seems to be because she has not learnt a corollary rhetoric of self-characterisation—'naridharma' (woman's duty)—which may be an emerging mode of negotiation based on an apparent 'exchange' of rights and obligations. Sita and Kaushalya self-servingly confirm nari dharma, play it as the basis of conjugal affectivities, mimic Ram in ideal self representation and in displaying virtue.

Indeed naridharma is presented as a possible resolution of the running contradiction between patriarchal dharma and women's agency: unless male dharma is accompanied by female self-abnegation, its values cannot be socially ensconced. Ram tries to resolve this contradiction before leaving for the forest, telling first Kaikevi, then his mother Kaushalya, who is claiming extreme ill-treatment by her husband, to remain as a 'pativrata' should with her husband and asking Dashrath to show greater respect for his mother who has proved her virtue. He tries to establish a reciprocity between male duty and wifely virtue. Female incitement partly serves to set up a rationale for the necessity of naridharma. With Kaikeyi as foil all the other wives of the Ikshvakus not only appear good but become self-righteous while two different rhetorics and modes of presentation, one externally planted and the other internally experienced, assist in making a villain of Kaikeyi and a victim of Dashrath. Kaikeyi's is a coached performance, while Dashrath's is a spontaneous outburst. Since the bride-price agreement is never mentioned, her motives are reduced to domestic jealousy, fear of lowered status, an almost arbitrary cussedness, a product of mal-tutoring. Dashrath presents an exhaustive range of reasons, both 'public' and 'private', is humanised' as a nearly tragic, broken old man, torn by irreconcilable truths. The power of Dashrath's anguish becomes an argument against women's agency, pitting his suffering and proclamation of her guilt against her demands. The mode of presentation magnifies her crime: Dashrath's anguish and pleading, the descriptions of the goodness and beauty of Ram, the expectations and congratulation of the crowd and of other women offered to Ram, Ram's rhetoric of filial obedience, Kaushalya's anguish at hearing the news of the exile, the description of the luxury of the palace Ram must forsake for the hardship of the forest are interleaved at great length with Kaikeyi's stubbornness, her disobedience and lack of doubt. Similarly Dashrath's silence puts the onus of telling Ram of the decision on Kaikeyi She is left only with the coldness of a stance, everyone else suffers, has emotions. No one mitigates anything for Kaikeyi. Eventually she becomes the object of everyone's hatred and anger.

One latent contradiction is that a boon granted to her in the capacity of a wife who has been extraordinarily 'good' and courageous, is sought to be encashed as a 'mother' securing her future when Dashrath's 'grihasthashram' is about to end thereby shifting the locus of exercising power in a way which dramatically opposes husband to son. Bharat's rejection of his mother—a denial of an affective, primordial bond—functions as a statement that wifehood and motherhood should *not* contradict.[11]

Ironically, the epic in fact highlights the precariousness if not failure of male protection and the way it interacts with dependency: women—neglected, deserted, rejected—cannot rely fully on the protection of the kin group while protection and even reciprocity from a husband is uncertain.[12] At one level protection seems to be given only if the wife is good. But even obedient wives lose out as with Kaushalya and Sita.[13] Despite its anxiety to establish male ideality, the contradictions are not resolved in the *Valmiki Ramayana*, both Dashrath and Ram die of grief.[14] If protection is to be a part of the contractual element in patriarchy then it is not fully in place. Is this because protection conflicts with dharma, duty and public consent, i e, with other social forms of consensuality which are simultaneously sought to be instated? Or is the epic showing not the failure of protection, but establishing, somewhat inconsistently, the conditions under which it can work?

Women themselves seem to have different degrees of investiture in the old and the new; involved in the reformulation of patriarchy, they use and waver between two different axes of consent. The definition of women's agency is also problematic both in relation to the mythicisation of the plot and the individuation of character. The convoluted agential modes of women interact with direct male political agencies to propel the plot. Is this a trace of an earlier, more dispersed form of decision making among men and women, being reinterpreted in a new morality of the good wife and the new centralisation of state power in men? In the later Vaisnavising interpolations in the *Valmiki Ramayana*[15] the events acquire the additional gloss of being preordained. Character exists at the ambivalent node of two different causal sequences—motivation and preordainment. Yet if Kaikeyi and Manthra are also serving the purpose of the gods in assisting Ram's preordained task,[16] then why the severity of the condemnation? If Kaikeyi and Manthra set in motion a whole series of events starting with Ram's exile and his mythic deification which are however an offshoot of Kaikeyi's presence on the battlefield, then how do we define public and private? Does this device signify the 'domestic' origin of a massive myth of male valour? Or did women's agency have both political origins and consequences though its own modes and the changes occurring curtail social acknowledgement?

The individuation of agency is also problematic. Since Manthra incites Kaikeyi to incite Dashrath, in one sense they form a single agential unit. However, the relation between the two itself appears to form a set of mutually displaced agencies. First Kaikeyi is presented as good until 'converted' by Manthra—her very nature is said to have altered. Manthra as evil incarnate and Kaikeyi's conversion together undercut any full sense of motivation on their part, their actions retain an edge of arbitrariness. The second remarkable fact is that once converted, Kaikeyi metaphorically beautifies, even sexualises, the hunchback Manthra's body almost in the language of love—even the hump is no longer a deformity but an object of love, a unique, integral part of her. The hump is where Manthra's intellect, inclination, recollection, jurisprudence, wisdom, sagacity, statecraft, knowledge of fraud and delusion ('mati', 'smriti', 'buddhi', 'rajniti' and knowledge of the 'maya') are stored, if Bharat is crowned Kaikeyi will ornament the hump with a gold necklace and anoint it with 'chandan'.[17] Admiration or gratitude takes the form of a fulsome acknowledgement of Manthra's person which becomes implicitly equal to or even surpasses Kaikeyi's own. What is the significance of endowing Manthra with a beauty that is full complement to her intelligence? It may be a sign of the suppressed potentials for reversal of the hierarchical relationships between women coded as 'beauty' and 'ugliness'. In that case, Shatrughna's dragging of the bedecked, bejewelled Manthra across the floor breaking her ornaments.



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until Kaikeyi intercedes with Bharat to save her, would be the symbolic inverse of the beautification. The now speechless Manthra sits at Kaikeyi's feet looking at her for protection with 'kaatar' eyes, i e, at the brink of unspecified emptions.[18] Third, though Manthra dictates the strategy, she resents having to do so: she even suggests a disingenuousness on Kaikeyi's part in suddenly choosing to forget a story—of the two boons granted her by Dashratha—she has often retold thereby 'setting up' Manthra as the schemer. In this virtual 'exposure' of Kaikeyi, Manthra appears to understand Kaikeyi's contradictory location in the patriarchal system. Manthra recognises the springs of Kaikeyi's resentment as well as her capacity to extract compensations from and enter into contractual, consensual settlements, while she herself personalised only by her 'abnormality' has neither a socially consolidated identity nor a set of consensually accepted capacities from which to 'work' the system and can only hope to sustain the pressure of individual incitement.

Finally, the wavering misogyny of the epic is a curious feature. Dashratha veers between blaming her personally and representing himself as a man trapped by the lure of a woman. He reminds himself that in condemning Kaikeyi he must not condemn all women as selfish. This may be an indication that misogyny is sufficiently consensualised to be considered as an explanatory mechanism. Bharat's abuse of his mother though the most vindictive,[19] is personalised, all women appear good to him in contrast with Kaikeyi.[20] However, both he and Dashrath fear that the consequences of her action will bring total social perversion, break the bonds of conjugality, reverse orderly familial and social relations—a dystopian vision which may be a precursor of the conflation of 'kaliyug' and 'strisvabhav' later in some Puranic texts [Sangari 1990, p 1471]. Sumantra, who berates Kaikeyi, like the others, as a woman who has courted widowhood[21] and destroyed the honour of the lineage, claims she has inherited her '*svabhav*' (disposition) from her mother![22] Though a strict binarism between stridharma and strisvabhav is not in place, this does become one of the sites where misogyny is produced, a site marked by the tenuousness and fading of one language of women's customary 'rights' and the strong presence of an emerging notion of the good wife's duties as the desired basis of women's 'rights'.[23] Does misogyny originate in the crystallisation of specific hierarchical social forms? Produced in this instance through a set of ideological manoeuvres, in part to ratify female self-abnegation, what does it say about the existing social agency of women? How does the move from the individual errant woman to the universalisation of misogyny and its subsequent placement in schemes of good and evil, occur? Is Dashrath's split between patriarchal dharma and sexual desire an indication that misogyny was produced from the contradictions between patriarchy and other social structures?[24]

V

If here we have a version of a female agential mode in the making, a mode which is involved in the production of misogyny, replete with unresolved contradictions, some of which are compounded by our historical distance, it may be pertinent to conclude the discussion with a contemporary instance which, though it invokes the sedimented histories and repertoire of this unit in its narrative and cinematic forms, is a different phenomenon and part of a very different problematic.

Sadhvi Rithambara, the Bharatiya Janata Party ideologue, is placed squarely within a militant, communal Hindu right-wing formation. She affiliates herself to and speaks from two inter-connected sites of institutionalised power: a 'community' of 'sadhu-mahants' (religious mendicants and heads of 'maths' or religious centres), and the Vishwa Hindu Parishad, Bajrang Dal, RSS and BJP. The explicit staging of herself as an inciting woman emanates from an organised public domain; female incitement here is a unit of political discourse but works through a complex set of refractions.

This right-wing formation shares with other patriarchal ideological ensembles the desire to simultaneously consensualise women's investment in patriarchy and introduce or confirm a number of conditionalities; but unlike some other ensembles, it seeks to do so by invoking women's agency in the cause of Hindu rashtra (nation). The heritage of communal positions, which emerged out of the matrix of the 19th century, is one of squaring 'traditional' or existing patriarchal forms with the emerging bourgeois patriarchal forms [Sangari 1991 pp 36-40, 56, 57], while its present arena is a social formation in which the issue of 'acceptable' bourgeois rights for women of the middle and even upper strata is far from having been settled. Rithambara, a part of the new negotiations underway, is engaged in both a reassertion and a reformulation of patriarchal values, most notably in their coercive aspects.

Rithambara reproduces a Hindu communal, patriarchal history hinging on male sexual honour, 'izzat' (honour), the values of patriliny and patrimony. She describes the future of the country, which Hindu militancy must prevent, as a repetition of the rape and pillage which is said to have characterised medieval India. She thus implicitly legitimises the masculinist ideology of rape as a 'normal', even an accepted rule in the complicit patriarchal codes of victor and vanquished, invoking a broad male consensus on retribution by violence on 'other' women as just, through the consenting voice of a woman. The march of this patriarchal history is punctuated with corroborative masculinist ideologies of male emasculation and impotence. In the process there is an obsessive re-enactment and reclaiming of male honour, which first plays on male fears of dispossession as well as on women's anxieties, by displaying all Hindu women as past and future victims of sexual violation, and then equates male sexual honour with the projected Hindu rashtra itself. 'Masculinity' acquires a single axis of social determination. The ability of Hindu men to protect their women, in a singular universalisation of the claim to martial valour, becomes the basis of their right to self government and their claim to monopolise a nation.

The nation, so defined as a condensation of the sexual honour of men of a single community, is intended to cut across and neutralise the contradictions of caste and class. Her incitement involves the social production of guilt and anxiety; in the address to men—'bhaiyon aur Hinduon'(brothers and Hindus)—the play on sexual honour carries the implicit threat of emasculation in the name of the violated mother (land), acquiring an additional frisson from her persona of the '*sadhvi*' (literally a chaste woman). Within the stage-managed presence of the sadhvi, Rithambara uses sexual innuendo and jokes, exhorts in breathless 'chaupais' (verses with four-line rhyme pattern), projects a latent sexuality; the performance encourages a specific sort of male bonding as well as titillates middle class women in the audience. These devices work together to legitimise not only patriarchal but also communal forms of violence, which both in her own rhetoric and in her invocations is presented as a continuous, reiterated narrative of zealous women and flagging men.

At one level Hindu identity remains patrilineal—*rugon mein Hindu baap ka khoon daur raha hai* (the blood of Hindu fathers is flowing in their veins)—while Hindu strength (shakti) is presented as a divided patrimony, which can be reclaimed only if they unite.[25] At another level, history is presented as family history—a system of correctly claimed family

lineages. Muslims who claim Babur or Aurangzeb as an ancestor are at once treacherous enemies and cowardly eunuchs ('napunsak')—while those who claim Rahim and Raskhan can be addressed as uncles (tau and chacha). Muslims are asked to recognise that four or five generations ago, their ancestors were the same as Hindus. Family history is also the history of good and evil—Hindus have not worshipped their villainous relatives like Kansa, and if a Ravana or Kansa are born, then a god arrives as an avatar (incarnation) to destroy him. Ram is claimed as a father and his birthplace defended on the basis of custom, ancestry and emotional affiliation. The separation of wheat from chaff within the family draws on a masculinist ideology of the family feud,[26] while implying that Muslims lack family feeling and have an inadequate schema of good and evil. At a historical and political level, an ancestral lineage is presented as a product of choice not of birth—Hindu defeat is a product not of Islam but of the power hunger of medieval kings and contemporary politicians, while Hindus are divided between the Ramvanshis and the Ravanavanshis—thus enabling a selective appropriation of the history of nationalist reforms. At a social level, the family appears as the unit of social cohesion and her speech builds a fear of Hindu family relations breaking down with a concept of rights and greed for inheritance replacing duty towards parents on the part of children. The family then, as a set of associations, appears in a contradictory light—it is essential to communal identity, patriarchal practice and an honest polity, while itself remaining above the law and outside history.

Who is Rithambara herself? In the effort to carve a constituency, she must name herself as an individual in relation to a collectivity and its interests. Incitement in its inspirational forms found a fertile soil in certain nationalist tendencies where endangered masculinity, endangered women, endangered nation and religion were key themes while nationalist interpellations of Hindu women as uncorrupted were common. Further, even though several nationalist ideologies relied on and recycled convoluted notions of women's agency, they also succeeded in conferring a direct political agency on good women who could act on behalf of the nation. This repertoire of nationalism becomes the opportunist preamble to her self-location.

She names herself not as a woman but as a sadhvi, one of a community of sant-mahatmas or saints and holy men (shades of Bankim's novel *Ananda Math*?) Sadhus are presented as epic figures, a composite Viswamitra who came to rescue India from Ravana. The content of this claim is not very different from other BJP MPs who are also offering self-images as sants engaged, now, as in ancient times, in purging or cleansing a criminalised body-politic.[27] Rithambara seeks to present sadhus as the uncorrupt new 'Mr Cleans' of Indian politics who however must now stand for unmitigated violence against the minority communities. The language of these hitherto peaceful men has become *ugra* (militant), but it is only the corruption of the polity which has brought them to the streets. Not only do they constitute a supreme court of saints (*'santon ka nyayalay'*) which has decreed that the claim to Ram Janmabhumi is valid, making all other proof redundant, but they will provide the weapons for the crowds who are exhorted to fight like Indra and Chandragupta.

One subset of the social relations which inform these self-descriptions becomes visible. The agency of sadhus is offered as both direct and surrogate (not unlike that offered to women); their real interests are said to lie elsewhere in the assured attainment of spiritual monarchy. Rithambara challenges misguided Hindus who think they are playing a political game or looking for political power, all they want is Ram and his supposed birthplace:

> *Are hame vote chahiye?, Ham sadhu mahatma Vyas gaddi pe baith ke puri kaynat ke badshah ho jate hai. Hame tumhaari Delhi ki satta nahin chahiye. Hame hamara Ram chahiye. Hame Ram Janam Bhumi chahiye.* (Do you think we want votes? We saints can become emperors of the universe simply by virtue of our claim to the omniscience of Vyas. We do not want political power in Delhi. We want our Ram. We want Ram Janam Bhumi).

Through the very energy of her disavowal sadhus emerge as they are: heads of decayed priestly groups, locked in internecine battles, seeking new sources of political, electoral and institutional power, and being sought as subsidiary allies by those emergent classes and class fractions investing in the ideology of Hindutva.

The persona of the sadhvi is clothed in self-abnegation, that abstraction which is the property of the body of sadhus to whom she belongs. This identification along with that of the past militancy of women—Durgavati, Rani of Jhansi—authorises, empowers and becomes the rationale for present incitement. By apparently giving up her entitlement to the material, Rithambara not only acquires an exemplary, exceptional personal upward mobility but is able to shift the level of political discourse from the challenge of material re-allocations to an ideological plane. As a woman saint, she can assimilate the legacy of reform into communal reformism, vindicating the vicious call to communal violence on the ground of removing the inner taint of Hindus. Secondly, by joining the band of the 'desireless', she not only gains the authority to play with the discourse of desire and male impotency/sexuality (rather than confine herself to the conventional advocacy of celibacy of *brahmacharya*) but produces a volatile intersection between male sexuality and militant political agency—sexualising both the Hindu rashtra and communal violence, achieving an effect quite different from the male use of similar discourse.

The simultaneous interpellation of men as Hindus who desire Hindu rashtra and bear the burden of a corrupt polity, as protectors of women and 'true' nationalists, as the goaded and insulted victims of history, as men whose past tolerance having been read as cowardice must now prove their masculinity through warlike violence, offers them the prospect of reversal. The 'awakened Hindu' slides metonymically into a pantheon of armed gods—Bajrang with his 'gada' (mace), Ram with his 'dhanush' (bow) and Shiv with his 'tandav' (destructive dance). The devaluation of morals and ethics, public corruption and blackmarketing, the breakdown of familial relationships, as well as male degeneration into laziness and effeminacy or the loss of 'purusharth' (valour, energy) can all be spectacularly reversed through a three-point programme of reform: voting BJP, reclaiming Ram Janmabhumi, and killing Muslims.

Violence is explicitly linked to communal rioting—a major site for the crystallisation of communal identities—and familiar riot-centred ideologies of Hindu retaliation are replayed.[28] One of her specific targets for instigation is the PAC—of whose notorious communal role in riot violence we need no reminder. They are asked to desert Mulayam Singh Yadav in the impending showdown on October 30, 1990 as well as to fire at dissenters and Muslims.[29] The PAC are said to have Hindu hearts beating beneath their secular uniform (*'PAC ne vardiyan pehni hai lekin dil Hinduon ka dharak raha hai'*). Rithambara's personal identification with violence, as the only decisive political solution, is remarkably bloodthirsty. Drawing on the Durga and Kali genres of female militancy, she repeatedly argues for bloodshed ('khoon-kharaba') on a large scale if not for outright genocide:

> *Tum baat karte rahte ho ki ham balidan denge. Are ham balidan dene se pehle ham hazaaro balidan lenge. Ab yeh khoon bahayenge hi nahi, auron ka bhi khoon bahayenge.* (You keep saying that you will

sacrifice yourselves. But before we sacrifice ourselves we will compel 'others' to sacrifice themselves. We will not only shed our own blood but we will also make the blood of 'others' flow.)

As an inciting woman she seeks to produce a series of clones. Stories of mothers or wives inciting sons and husbands to militancy are ritually invoked: Bhagat Singh's mother, who wept when her son was hanged not because he was dying but because she had no more sons to offer to the nation, rubs shoulders with the wife of a 'seth' (merchant) who repeatedly tells her husband that thieves are entering the house, emptying the money box, and leaving with the loot. The merchant's wife tries with these taunts to prod and activate her husband's virile masculinity—*'Is tareh patni ne pati ke purushtva ko phir kureda*—and failing, bursts out with an irate demand for action from him. Women in families need to protect male izzat and nurture male valour. Ironically, the ideology of izzat is open to cross class universalisation precisely because it mimics the actual practices of patriarchal violence against women which cut across caste, class and communal distinctions. Here izzat is presented as a structuring principle both in daily life and in times of crisis. Izzat is in fact placed at the intersection between patriarchies and communalisation—two axes of inequality—and underpins other claims to family, religion and nation. Women are offered agential roles only as the implicit subjects of a communal history of sexual violation and their consent is sought in the interests of their own protection.

The literal effects of Rithambara's incitement should not be underestimated. Her speeches are reported to produce delirium and male hysteria among listening crowds[30] and there are instances of men taking up the proffered role: after one of her speeches some BJP supporters reportedly beat up Muslims in an adjacent 'mohalla' (neighbourhood) before going home [*The Times of India*, June 14, 1991].

The agency of such literalisation is not a spontaneous but an institutional one, one which also gives Rithambara the 'protection' to instigate. Her speeches constitute a small part of the general instigatory activity and propaganda produced by these institutions. The communal violence that her speeches leave in their wake or return to legitimise, is not propelled by ideological mobilisation alone—but erupts rather, in its specific conjunctural combinations with the operations of a growing institutional infrastructure, forms of political mobilisation, local histories and the wider contradictions of social processes, creating spaces vulnerable to communal differentiation and violence. That is why her speeches 'work' at some times and in some places but not in others. Rithambara herself seems to have been assigned a conjunctural role and is moved from backstage to centrestage at strategic moments. The men who engage in communal violence do not do so literally at her behest, but on the understanding which she represents of violence as having institutional sanction, organisational protection, a degree of popular consent, and consequently an immunity from subsequent legal action. Participation in violence in turn builds both complicity and danger, reinforcing the need for party or other organisational protection.

Before looking at some of the specificities of her institutional agency and her function as an inciting woman, I will try to look at her in relation to the broad ideology, flexibility, selective appropriation and current location of this cluster of right-wing organisations, especially the BJP. The BJP not only has different caste-class, urban-rural constituencies in different regions but shifts are taking place in its social base.[31] The right-wing needs to renegotiate its basis of legitimisation both internally with its cadres and externally in relation to desired constituencies. As such there is now a whole spectrum of right-wing ideologies and practices while a range of multifaceted positions, local as well as general, are being produced. Their eclecticism as well as appropriative procedures have to be seen both as a part of the wider imperatives of this spectrum as well as in relation to their present political location.

At the ideological level, the eclecticism within this formation is partly a product of using different existing modes of legitimisation—mythic, empirical, historical, customary, religious, experiential.[32] Indeed, it is this multifacetedness which has multiplied the axes of communalisation to extend beyond religion while creating flexible mechanisms for the inclusion or exclusion of some minority communities as the changing situations demand. However, though in some senses the accomodative capacities of this right-wing formation make for an internal pluralism, they also unify it and make it monolithic in relation to what it is opposed to. Given the unsettled nature of class, caste and gender issues, communalisation has become a major axis of internal unification and public consensuality, a vector for the interested reinterpretation of social contradictions.

There has also been a selective appropriation of the left, liberal, civil liberties and feminist platforms, which are then deflected, controlled, condemned. In this process blocks of existing social consensus are being shifted rightward. Present consciousness are appropriated, re-coordinated, achieving new consensual patterns. Liberal positions in particular have been either massively taken over or evacuated.[33] Rithambara achieves the shift from the liberal to the militant right by presenting political choice as a temporal-historical movement ('we were once liberal but now...), making a sliding continuum from liberal to right along which it becomes *natural* to move. Even the image of secular co-existence (mandir, masjid, gurudwara) is used first to promote a liberal self-description and then, in this historical schema, turns into a rationale for communal violence.

A parallel process is at work with feminism. Certain aspects of bourgeois feminism, women's advances and own efforts to redefine their social agency and sexuality are acknowledged but only in order to curb them or roll them back or to monitor women's entry into the 'public' sphere, or more broadly to control the ways in which public becomes private and vice versa. However, contradictions between domestic ideologies, patriarchal practices and independent public, political roles for women is rampant within this formation. The package on offer ranges from the blatant anti-feminism of Bal Thackeray interested in pushing women back into the home, to K R Malkani's claim that though inequalities exist, Indian women are by and large queens in their homes [*Times of India*, May 15, 1991], to Rithambara's explicit appeals to certain kinds of initiative on the part of women. Significantly women's support to Thackeray is dwindling, while though Rithambara's claim to inspirational agency appeals to both men and women, she has been criticised by some BJP men and women. Neither Thackeray nor Rithambara singly represent the fully consolidated or consensual voice of the Hindu communal right.[34] At other sites the BJP has been taking certain aspects of bourgeois feminism on board; for instance their stri shakti versus stri mukti (women's strength versus women's liberation) programme in Gujarat and Maharashtra continues aspects of middle class reformism and presumes the existence of working women while attempting to denigrate other aspects of feminism as deviant.[35] Rithambara's position needs to be seen in relation to this conflict of interpellations, as a singular variation among a whole range of ideological positions being produced within this right-wing formation.[36]

The eclectic and appropriative strategies of this cluster of right wing organisations allows them to insert themselves into different regional and political conjunctures,

gives them the ability to absorb and replay conjunctural gains, situational exigencies, contingent attitudes, to use religious faith as well as to bypass it, in order to bind unconsolidated urban masses into collectivities and to achieve new, smooth relations between verbal rhetorics and conflicting social practices.

The concatenation of voices in this right-wing formation, in some sense corresponds with its current political location. The development of multiply organised addresses alongside broad general ideologies as well as of different, locally accented ideological positions and institutions drawing on different class/caste and experiential clusters is related not only to the range and to changes in class/caste constituencies in different regions but also to the overall strategy of simultaneous insertion into existing rural/urban power structures while making new avenues for political mobility. The quadrangular political formation of the Hindu communal right—the BJP as a parliamentary opponent of the central government, as itself a contender for central-state power in search of appropriate legitimacy, alongside the steady, systemic infiltration of the institutions of state and civil society, and the development of fascistically organised militant wings in the RSS, BD and now the Durga Vahini with their ready recourse to communal violence in specific electoral or other conjunctures—is making for an oscillation between parliamentary forms and fascist methods. This, combined with its overall location, makes it possible to understand both the internal heterogeneity of ideological positions as well as the specific modalities of holding ideologies as a persistent pressure, as a sign of political power, as a reminder of the organisational capacity for violence, and as trigger for violence in specific conjunctures.

If we look at Rithambara as one such pressure point, then apart from the overlap between the content of her speeches and organisational positions, at least two of the special functions which female incitement serves can be demarcated. Here, it is once again significant that Rithambara does not name herself as a woman. Her function is not to represent other women in relation to the problems of inequality but to reiterate and represent women only in terms of a specific set of patriarchal consensualities which are particularly conducive to conjunctures of communal violence. (From these she also extracts a singular discursive and political power for herself.) It is not that she blocks off all change for women on the Hindu communal right but rather offers them the combination of direct and convoluted agency which is also vested in her own person: a particular sort of militancy drawing on nationalist models which infuses her with a quasi-patriarchal authority combined with two facets of bourgeois domestic ideologies, self abnegation and women's surveillance of the public sphere [Sangari 1991, pp 106, 07, 113]. This offer of male protection is accompanied by the usual codicil that protection from the threat of male violence be accompanied by submission to patriarchal norms in the home. In other words women are yet again asked to become the consenting custodians of patriarchal values in order to be eligible for certain forms of protection and agency, but this time with the implicit guarantee of becoming participant as instigators in Hindu male communal coercion and as sharers of the power which may accrue from it. Female incitement becomes a compensatory structure for women to police men while it is at the same time poised and held at the brink of militancy in its own right. However, the question of the precise nature of the needs and interests of different sections of women which the Hindu communal right is producing and encashing is much bigger and as yet unanswered. How, for instance, is Rithambara's offer of male protection articulating with different existing or desired class positions within the constituency of Hindutva?

Secondly, Rithambara performs the function of drawing wide consensualities of values, including that of male coercion, through which patriarchies function, into a *new* relation with organised Hindu militancy. She elicits consent for patriarchal values on the basis of defence of 'nation' and 'religion' and simultaneously uses existing social consent for patriarchies to get consent for Hindu rashtra.[17] In her own combination of institutional power with normative patriarchal ideologies, recast as a challenge to male sexuality, she ratifies both. She thus draws on and increases areas of consent, enlarges fronts of recruitment. The issue here is one of the very modality of the production of new ideological constellations. Here, too, some broad questions remain. What is the nature of the articulations, transformations as well as displacements between the political, the economic and this ideological constellation? Which are the mechanisms by which performative political rhetorics reappropriate media and cinematic forms, relating them to 'common sense' and encashing the resonance of both? What are the precise relations of the cultural forms of articulation with their respective histories and of the specific ideologies generated by this Hindu communal right-wing formation to its existing and desired social base?

Notes

[A longer version of this essay is forthcoming in *Region, Religion, Caste, Gender and Culture in Contemporary India*, T V Satyamurthy (ed)].

1 Even where women's agency is enhanced from belonging to semi-autonomous forms of female collectivity, as for example in matrilineal groups, we would still need to ask how these groups connect not only with other structures of dominance (e g, caste religion, law) but also with other operative, adjacent patriarchies.

2 For a related emphasis see Perott, Dauphin et al (1990).

3 This formulation begs two questions which also need attention—the determination of men by patriarchal structures and men's consent.

4 The fact that patriarchal violence practised against women often also functions on behalf of social consensualities dispersed in 'common sense' or condensed in symbolic systems, shows how deeply embedded and widely dispersed it is across the social formation.

5 Our own embarrassment about explaining women who oppressed other women in instances of family violence such as dowry murders was in fact one of the starting points for reflecting on the whole issue of consent. For a discussion of a recent display of the collective solidarity of upper caste women against lower caste men and women, see Kannabiran (1991, p 2132). For an account by dalit women of their oppression by jat women in a Punjab village, see Interview [*Manushi*, 1979-80, p 21].

6 Women's agency is often pejoratively slotted as manipulative. For a discussion of the use of manipulative strategies in the absence of formal power, see Schrijvers (1986, p 19). According to Leela Dube, in her experience, women are not accused so much of manipulation in matrilineal groups whereas manipulation is built into the structure of patriliny.

In what is a virtually archetypal contemporary representation in this genre, a Prabhat Studio film on the Peshwas, *Shastriji*, made in 1945 presents Lalita Pawar in the role of the bad wife who incites her husband and her advice leads to the loss of his kingdom. She is bad because she is an explicit surrogate power sharer in her husband's position and an active class agent. The film recognises and displays the power which exists in structures of surrogacy only to condemn it. Such a woman contradicts bourgeois domestic ideology which describes women as non-competitive and as the good conscience of the man—her incitement pollutes the domestic space. The tendencies in elite nationalism which constitute the wife-woman as the conscience of both man and nation, inversely enlarge the criminality of such 'scheming' women—making them the first anti-nationals as it were. Their crime is overtly, explicitly wanting to share power and giving no other name to female agency as it has been socially constituted. Since various tendencies in elite nationalism were engaged in building a consensual patriarchy, the familialist

strategies of nationalist and protonationalist reform tended to make the public activity of women a natural extension of domestic activities—only bad women spoke in their own name.

7 For a suggestive reading of this episode, see Sutherland (1983).

8 How precarious this ideality (as well as how unsettled primogeniture as a norm) is can be judged from the facts that Lakshman's response to Ram's exile is to take over the kingdom by force, imprison or kill Dashrath, and destroy all dissenters; while later Ram in the forest fears that Kaikeyi may poison Kaushalya and Sumitra.

9 Even Brahma and Indra granted boons for impeccable devotions to demons which made them helpless later, and there are many stories of the gods in their own protection using codicils or calling on some counteracting power. The boons granted by gods are often a means of negotiating, propitiating, containing or being forced to acknowledge a source of self-accumulated, threatening power. It is interesting to note that Dashrath and Vasishtha also do their best to circumvent the boons. Dashrath orders that the treasure of the city, attendants and the army be sent with Ram to the forest since the boon did not specify that he go empty-handed. Vasishta says that either Sita can rule the kingdom in Ram's absence, or the wealth and population of the kingdom should follow Ram. Kaikeyi has to struggle to maintain her demands.

10 This too remains problematic. Why is a context needed at all? Would she have had less leverage if Dashrath who is about to renounce political power were also able to renounce the sexual desire which is repeatedly described as enslavement?

11 Exactly what Ram has told Kaushalya. That is why Kaushalya becomes Bharat's 'true' mother.

12 Sita's threatened suicide if she is not allowed to join Ram's exile because she does not want to be left unprotected in the palace. Sita's lament at being abandoned by Ram despite her devotion when she is imprisoned by Ravana, Kaushalya bemoaning her status which has been equal to that of Kaikeyi's servants, Kaushalya's sense of vulnerability and fear of the taunts of junior wives once Ram is exiled, and her claim that having had no happiness with her husband she had looked forward to *putrarajya* for an end to her troubles—all testify to this.

13 Ram even claims he won Sita back to restore his own fame and not for love of her, and describes her abduction as Sita's sexual dalliance with Ravana.

14 If they are obscured or resolved at all it is in the latter-day, now hegemonic versions of the epic.

15 In Dashrath's literal distribution of sons in the form of fertilising 'kheer', the largest portion goes to Kaushalya and the smallest to Kaikeyi.

16 Significantly, Ram himself is inclined towards interpreting Kaikeyi's action as preordained. He soothes Lakshman saying that the vey suddenness and extremity of Kaikeyi's behaviour shows it is a part of god's design, otherwise how could a good woman give her husband such pain.

17 And provide her with a retinue of dwarf and hunchback women servants!

18 These, as associated with the word *kaatar*, almost a pre-emotion, could range from fear, impatience, excitement, nervousness to cowardice.

19 He not only invokes every possible sin, dishonour and punishment in the book for her but tells her to walk into a burning fire or hang herself, and says he would kill her himself but for Ram's disapproval of matricide—magnifying her 'sin' beyond endurance and moving Kaikeyi to tears.

20 In one sense personalisation *contains* the action of Manthra and Kaikeyi.

21 There are repeated images, which haunt Dashrath and even Ram of Kaikeyi *enjoying* power as a widow, i e, such a widow's suffering is not a certainty, ideologically that is. Kaikeyi becomes a husband killer in an epic which sets out to deify husbands and universalise naridharma through Kaushalya, Anasuya, Sita and the choric voices of the faceless women of Ayodhya.

22 Kaikeyi's mother accused of lacking all competence - naridharma, respect for family honour, a carelessness regarding her husband's life - is dismissed from any justifiable claim to queenship. However, the real issue, over which she is banished from her husband's home, is her challenge to male control of knowledge.

23 Kaushalya eventually translates her husband's rejection into duty and so succeeds in remaining good. Despite latent fraternal and polygamous politics, the onus of disharmony is put on Manthra and Kaikeyi.

24 We are still left with a set of questions related to the mythic refraction of social practices and norms. Which are the earlier or extant systems of mutual or reciprocal rights for women which are now being eroded or sought to be supplanted? What was the relation between primogeniture, polygamy and female sexuality as glimpsed in Kaikeyi's transition from wife to mother? Is Kaikeyi's agency on her own behalf, or on her son's or on both? What was the wider set of relations between kinship and politics which produced inequality in the palace? What was the ranking and location of brideprice in terms of extant marriage arrangements? Were brideprice agreements honoured? Was polygamy one of the breeding grounds for both the ascription of scheming women and of a corollary convolution of women's agency? What was the relation between Dashratha's visibly overpowering love for Kaikeyi and his failure to obey the terms of the brideprice agreement? Could hierarchy be altered in the name of love or did polygamy function to split male duty and male desire? Was there an inherent contradiction between naridharma and polygamy? Would the nature of Kaikeyi's agency and social valuation change if the brideprice agreement entered the chain of causality or would it still go against the social grain? What other kinds of female agency is Kaikeyi's counterposed to in the *Valmiki Ramayana* and how are Manthra and Kaikeyi presented in other recensions of the Ramayana?

25 She claims that now Hindus are like the 'pehalwan' (body builder), who had maintained his strength through daily 'dand baithak' (exercise), but failing to maintain it after marriage, turned into a weakling. His 'samajhdar' (sensible) wife, who he blames for his weakness, demonstrates that he can perform the same feats if accompanied by his five strong young sons. This discussion is based on two audio-cassettes circulated during the peak of the Ram Janmabhumi campaign.

26 Hindus are asked to give up evil fathers as Prahlad gave up Hiranyakashyap, or renounce evil brothers as Vibhishan did Ravana.

27 According to Swami Sakshiji Maharaj, a BJP MP from Mathura: "In ancient times kings ruled but holy men held the reins" [*The Times of India*, June 28, 1991]. See also the statements of Swami Chinmayanand, BJP MP from Badaun (UP) in *The Times of India*, July 23, 1991. In a virtual replay of Annie Besant, Rithambara claims that in Indian history every successful king has had the blessings and advice of a guru or sant. Besant, with her notoriously organicist view of India had stated in her lectures that in the past rishis (ascetic saints) had actively participated in politics, wandering around the country, visiting kings and asking whether they looked after the widows and orphans of those who had died on the battlefield.

28 Rithambara too claims that Muslims start all riots, have always attacked Hindu processions at Dusehra and Diwali while Hindus, too tolerant in the past have not attacked Muharram processions, Hindus are killed and now must retaliate. Masjids, said to be arsenals, are more or less specified as a target. For evidence and analysis of the role and deployment of these ideologies during communal riots see PUDR (1990) and Chakravarti et al (1992). For a discussion of instigatory pamphlets intended to create a paranoid, guilt-free, militant Hindu, see PUDR (1990, pp 8, 9). The call to destroy masjids must be seen in the context of the large number of masjids attacked and damaged in northern India in the course of communal riots during this period.

29 According to her, they all remember the day when they did not have a 'naukari' (job) and prayed to Bajrang Bali for help, promising 'prasad' (food offering to idol) in return, and when they lose their jobs they will have to take Ram's 'sharan' (sanctuary). However the matter does not rest at setting up Bajrang Bali and Ram as an employment agency in order to establish the PAC as 'Rambhakts' or true devotees of Ram. When Mulayam asks them to fire they will fire but time will tell whether the bullets will be aimed at Rambhakts or 'Ramdrohis' (those who have been traitors to Ram). On that day, the PAC will turn into 'Bajrang Balis' and undertake a ten to one contest with 'Alis'.

30 A man was reported as crying from excitement [*The Times of India, April 5, 1991*].

31 The RJB campaign has consolidated a rural base in the past three years, as for instances among labouring classes and rural elite belonging to intermediary castes in parts of Bihar [PUDR 1990, pp 29-32]. Along with the BJP base among the petty bourgeois intelligentsia of Bihar and UP, it has also acquired a base among small town commercial and manufacturing groups, a strata of mofussil trader which cannot readily transform into corporate capital in western UP while its base in central UP is more

markedly upper caste [Chakravarti et al 1992]. In Maharashtra, the BJP cadre, initially lower middle class and brahmin, is now shifting to upper class, professional and entrepreneurs—the 'modernised Hindus' as it were—and there has been a conscious effort to enlist non-brahmins. Pandurang Shastri Athavale who is drawing in OBCs expounds a 'modern' Hinduism, holds relatively liberal positions on women's issues and is said to have affinities with this right-wing formation. Similarly, Pradeep Ravat of the Patit Pavan Sanghatan, which works in tribal regions, identifies feudalism and religiosity with a reactionary Hindutva and claims to be a Hindu who has never followed a word of Hinduism. In Gujarat it is not the brahmin-bania but the patel-kshatriya, the nouveau riche, NRI's and westernised youth who support the BJP. Deepika Chikhalia, the Sita of the television *Ramayana*, recently elected BJP MP, is said to be unable to speak more than two words of Gujarati! In both regions the old fashioned RSS ideology is moving out and a new managerial group with a different understanding of religion is moving in. (I owe this as well as all subsequent information on Maharashtra and Gujarat to Ram Bapat, Vidyut Bhagwat, Vibhuti Patel and Sandeep Pendse.)

2 They draw selectively on existing experiences, frustrations, grievances, inhabited prejudices, presenting them as the only reality in explanatory discourses which make people feel that their 'real' experience is being recognised.

3 As is well known these organisations place liberal secularism outside the consensus of the community of 'ordinary people' via appeals to common sense or brand them as communal through strategic reversals which also help to conceal their own agency.

4 In Maharashtra, it is not senior Rashtra Sevikas but a young Rashtra Sevika and ABVP activist in Kolahapur, Medha Nanivadekar, who has publicly criticised Rithambara for using them for their own purposes. Some BJP men have also said that Rithambara's language is not suitable for women while right-wing women resented Bal Thackeray's derogation of women at a recent meeting in Maharashtra.

5 They claim to want neither divine shakti nor liberatory feminism. Stri mukti is identified with a caricatured female permissiveness, communism and the Nehruvian legacy while stri shakti is identified with the mobile mainstream and its platform consists of positions against dowry and violence and demands for palnaghara or creches, safety for women commuters and a uniform civil code.

6 For a discussion of the Rashtriyasevika Samiti and the particular accommodation of women's militancy and professionalisation see Sarkar [1991, pp 2061, 62].

7 The parallel with Britain in the 1980s is interesting: since 'patriarchal positions are absolutely central, as points of condensed articulation, in the discourses of both middle class, petit bourgeois and working class respectability—an apparently non-political factor that has the effect of stabilising and securing to the Right a whole range of other discourses' [Hall 1988, p 50].

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Tackling the Growing Burden of Public Debt

I S Gulati

This paper deals principally with some questions concerning the growing burden of internal public debt in India. These questions that have lately been raised with a stridency not noticed before focus on reducing the fiscal deficit, a term that hardly ever figured in the lexicon of fiscal policy in India, but which has all the same to be taken note of.

I

THERE is no gainsaying that public debt in India has grown rather rapidly in recent years. During the 80s the combined debt of the central and state governments grew at the rate of 18 per cent per annum as against the GDP growth rate of 14 per cent (both in current prices), with the result that the ratio of public debt to GDP, which was already quite high,[1] increased substantially, from 50 per cent in 1980-81 to 75 per cent in 1990-91.[2] Thus an additional 2.5 per cent of GDP was added on to our public debt every year during the 80s. During this period both internal and external public debt increased rather fast, but the increase in internal public debt was faster. Between 1980-81 and 1990-91, the increase in the internal public debt was almost six times (5.84) as against that in the external public debt of almost five times (4.92).[3]

True, the magnitude and growth of a country's public external debt could legitimately cause concern. But the source of concern, namely, the pressure debt servicing creates for the balance of payments with respect to a country's public external debt, and that relating to the magnitude and growth of the overall external debt of a country are mostly the same. According to the estimates of a recent RBI task force, the total external debt of the country grew from Rs 19.5 thousand crore in 1980-81 to Rs 123 thousand crore in 1990-91, i e, by 6.31 times, while its public debt component, as already noted, increased by 5.84 times, i e, at a somewhat slower pace.[4] The non-public debt component of the country's external debt has, obviously, been rising even faster. In 1980-81 the public debt component was as high as 70 per cent in the total external debt, but, it would have come down to 55 per cent by the end of the year 1992-93.

Not that the growth in the country's public external debt is, for the reason of its slower growth than that of the overall external debt of the country, less of a matter of concern. Indeed, all external debt, its magnitude and growth, should be of utmost concern to us. But we have to take note that lately the focus of attention has turned on the growth of public internal debt[5] and it is on that component of public debt that this paper concentrates. In fact, our focus is even narrower, in that we shall concentrate on the central government's internal debt which currently accounts for something like 85 per cent of the combined internal debt of the central and state governments.

II

As a proportion of GDP, the central government's outstanding internal debt[7] rose from 35.6 per cent in 1980-81 to 53.3 per cent in 1990-91. During the same period, gross interest payments on internal debt, as a proportion of GDP, more than doubled, as they rose from 1.7 per cent to 3.7 per cent. Other measures of growth in gross interest liabilities show an increase, more or less similarly dramatic. As can be seen from Table 1, as a proportion of the centre's total expenditure, these payments showed an escalation from 10.5 per cent to 18.7 per cent during the same period; as a proportion of the revenue account expenditure from 15.4 per cent to 26.1 per cent; as a proportion of revenue receipts from 18.1 per cent to 34.6 per cent and as a proportion of tax revenues from 24.6 per cent to 45.7 per cent. Of course, each of these measures has, at the same time, a story of its own to tell, given the denominator used for the purpose. A substantially higher proportion of the centre's expenditure was accounted for by interest payments on internal debt in 1990-91 than in 1980-81 is what the first two measures relating interest payments to total and revenue account expenditure tell us. When we relate interest payments to revenue account receipts and tax revenues, not only are the proportions accounted for substantially higher but the increase in these proportions over the period is also quite substantial. So there can be no two opinions that the gross interest obligations with respect to the centre's internal debt have become rather high during the course of the last decade. Going by the available figure for 1992-93, over half (51.9 per cent) the centre's tax revenues would have been earmarked for meeting its gross interest obligations.

But, is it right to assess the burden of public debt in terms of gross interest obligations without taking into account the returns on investments financed out of funds raised by public borrowing? All funds borrowed by government need not be, and are not actually, deployed in investments, physical or financial. But the portion so deployed, particularly that made in financial investments, does yield returns, and that too directly in the form of interest receipts, dividends and profits. In 1980-81 as much as 84.3 per cent of the interest paid on the total public debt of the centre was recovered as interest receipts, dividends and profits.[8] Compared to that, the amount recovered in 1990-91 worked out to 44.5 per cent. For 1992-93, the corresponding percentage works out to a slightly higher figure of 50 per cent, but is still considerably lower than the recovery ratio in 1980-81. Thus, while the centre's debt mounted and its gross interest obligations increased, correspondingly its recoveries declined, relatively speaking, with the result that the burden fell with even greater force on the general budget.

As can be seen from Table 2, the spurt in net interest outgo, i e, after netting for receipts on account of interest, dividends and profits, has been quite phenomenal over the period, 1980-81 to 1990-91. Since direct receipts of the exchequer from public investments have registered most niggardly increases—when measured as a proportion of GDP, they increased from 1.6 per cent in 1980-81 to 1.8 per cent in 1990-91—the government has been constrained to meet a larger proportion of its net interest outgo from its general budget. Between 1980-81 and 1990-91, the net interest outgo, as a proportion of the centre's current account receipts, increased from 9.5 per cent to 23.4 per cent; as a proportion of the centre's tax revenues the corresponding increase was from 12.9 per cent to 30.9 per cent. As a proportion of the centre's total expenditure it registered an increase from 5.4 per cent to 12.8 per cent.[9]

III

Of course, it can be argued, and quite justifiably so, that to view the burden of public debt in terms of the declining recovery ratio, or the burden of net outgo on the general budget, as has been done

in the preceding paragraphs, would be to take too narrow a view. Deployment of funds raised by a government for purposes which are not directly remunerative, in the sense of yielding interest, dividends or profits, could still be quite productive to the economy as a whole, in the sense of improving its efficiency of production or adding to its productive capacity through improved economic or social infrastructure. In that case, could one not legitimately expect the public investments to reflect themselves in higher growth of national income and correspondingly in better revenue receipts of the government, especially tax receipts? Between 1980-81 and 1990-91 the central government's revenue receipts, as a proportion of GDP, increased from 9.4 per cent to 10.7 per cent and tax receipts from 6.9 per cent to 8.1 per cent. During the same period, annual growth registered in GDP was of the order of 5.5 per cent in real terms, whereas net borrowing (including borrowing from RBI) of the central government increased from 6.6 per cent to 8.6 per cent and gross interest obligations increased from 1.9 per cent to 4 per cent of GDP. Obviously, the increase in the central government's receipts as well as in its tax receipts has been far below the increase in its gross interest obligations even though the growth in GDP was by no standard insubstantial. So, while the productive impact of a large proportion of public expenditure cannot be ruled out, the fact cannot be overlooked that it has failed to reflect itself in sufficiently enhanced revenues of the central government.

The increasing ratio of net outgo on account of interest payments to the government's current revenues and tax revenues, both of which, as noted above, rose significantly during the 80s, tells us more than that the recovery ratio declined during the period. Of course, the single-most important factor responsible for the increase in the burden in the sense of the proportion of the government's receipts to be set apart for meeting the net outgo on account of interest payments has been the decline in the recovery ratio, i e, the ratio of interest and related receipts of the government to its gross interest obligations. As was noted above, this ratio came down sharply from close to 85 per cent to well below 50 per cent in the course of the decade. At the same time, however, it was also the tardy expansion in government revenues in general and tax revenues in particular, that was responsible for the net outgo registering the sort of sharp increase observed above as a proportion of government revenues.[10] The question of sustainability of public debt assumes importance as the ratio of the outgo to government receipts mounts.

If direct returns from government investments do not expand as public debt mounts and if at the same time, government revenues do not expand sufficiently, the higher relative burden of the net outgo can mean either reduced non-interest government spending or larger fiscal deficits or, of course, a combination of both. In the process, a sort of vicious circle can get into motion with higher deficit leading to larger borrowing which causes still higher deficits because of the larger net outgo. The villain of the piece, it must however be recognised, is a mix of inadequate recovery ratio and insufficient revenue mobilisation.

IV

How do we tackle the situation created by the high ratio of the interest outgo to the government's current receipts? The question we have to ask, therefore, is whether in the light of the developments of the past decade with regard to the increasing burden of interest outgo, the accent of current fiscal policy is rightly focused. By targeting the fiscal deficit, defined as the excess of total government expenditure over government's current account receipts, the recent governments at the centre (there have been three governments in as many years) have sought to focus attention on containing public borrowing regardless of not only whether it takes the form of borrowing from households, or from banks or from the Reserve Bank of India[11] but also what the funds raised in public borrowing could have been used for by the government. In fact, going by the position taken in the latest *Economic Survey* it would appear that the government would like to go much farther than containing current net borrowing and effect a reduction in the outstanding government debt.[12] To achieve this, the net public borrowing would indeed have to become negative at some stage. Any positive net borrowing would imply an increase in the absolute level of outstanding public debt.

Strictly speaking when the proponents of the concept speak of the fiscal deficit, no distinction is drawn between covering the fiscal deficit through external public borrowing and through internal public borrowing. We shall, however, assume for our purpose that the fiscal deficit, whatever be its magnitude, is covered through internal public borrowing.

To emphasise reduction in public borrowing in order to reduce the fiscal deficit

TABLE 1: GROSS INTEREST PAYMENTS BY CENTRAL GOVERNMENT

Gross Interest as Percentage of	1980-81	1990-91	1991-92 (RE)	1992-93 (BE)
(1) GDP	1.7	3.7	4.0	4.2
(2) Total government expenditure	10.5	18.7	21.4	23.7
(3) Revenue expenditure	15.6	26.1	28.2	31.6
(4) Current revenues	18.1	34.6	35.1	37.2
(5) Tax revenues	24.6	45.7	48.8	51.9
Memo items				
(1) Centre's internal debt ('000 crore)	48.5	283.2	317.7	356.3
(2) Centre's interest payments (gross) on internal debt ('000 crore)	2.4	19.6	24.6	29.1

Source: Economic Survey, 1992-93.

TABLE 2: NET OUTGO ON ACCOUNT OF INTEREST PAYMENTS BY CENTRAL GOVERNMENT

Gross Interest Outgo as Percentage of	1980-81	1990-91	1991-92 (RE)	1992-93 (BE)
(1) GDP	0.9	2.5	2.8	3.0
(2) Total government expenditure	5.4	12.8	14.8	17.2
(3) Revenue expenditure	8.2	17.6	19.7	22.6
(4) Current revenues	9.5	23.4	24.6	26.5
(5) Tax revenues	12.9	30.9	34.1	37.0
Memo items				
(1) Interest receipts ('000 crore)	1.80	8.78	11.30	13.46
(2) Dividends and profits ('000 crore)	0.58	0.77	1.06	2.55
(3) Interest + dividends + profits/gross interest payments (per cent)	84.3	44.5	45.3	50.4

Note: No attempt has been made to disaggregate net interest payment attributable to internal public debt and those attributable to external public debt of the centre, in view of the type of assumptions found necessary to make for such an exercise.

Source: Economic Survey, 1992-93.

amounts to shifting the accent of fiscal policy from the mobilisation of current revenue receipts and the productive deployment of government expenditure to blanket reduction of government spending. One cannot rule out the possibility that a stage may arrive when blanket reduction in government spending may be called for. The question is whether that stage has arrived already. Has a proper assessment been made of the role of government spending of various types? For instance, has the limit been reached already for the role of government in the expansion and/or improvement of the country's socio-economic infrastructure? Here, one should add that distinguishing between revenue account and capital account in government spending may not be as helpful as between the purposes for which government spending, be it on revenue or capital account, is to be incurred. For that matter, even the distinction, between plan and non-plan spending is not very useful because a good part of non-plan spending is meant for the maintenance and running of the socio-economic infrastructure on which rests the whole edifice of the country's current economic growth.

Still, can the burden of public debt be said to become unsustainable just because the outgo on account of interest payments, gross or net, rises fast in proportion to total current receipts of a government and reaches levels which are considered high?[13] True, the higher the proportion of a government's current receipts to be earmarked for meeting the government's interest liabilities, the lower is the proportion thereof available for meeting the government's other expenditures, which the government is not contractually obliged to incur but which may still be very necessary to incur. Such other expenditures, at least a substantial part thereof, may be necessary to incur for the government to meet its obligations on the basis of its social compact with its people or to sustain the country's economic growth. Therefore, to seek to reduce the burden of public debt by reducing the government's other expenditures may well amount to reneging on its obligations under its social compact with its people or harming economic growth. Instead, the government should be exploring ways and means of mobilising additional current revenues. Larger tax revenues will reduce the government's deficit on revenue account as well as its fiscal deficit. Larger recoveries in the form of interest receipts, dividends and profits will reduce the net outgo on account of interest on public debt. True, in the end the government may have to borrow less, given the level of its total expenditures. But such restraint in public borrowing will have been achieved by following a route that will force the government neither to renege on its social compact obligations nor to forswear the major role it has in sustaining economic growth in a country such as India at its present stage of development. These considerations cannot be overlooked when there is recognition all around that a substantial role is necessary for the government, given the present stage of the country's development, in the further building up of the socio-economic infrastructure required to sustain a high rate of economic growth.

It will be appropriate at this point to refer to the 1944 paper written by E D Domar.[14] This paper was, no doubt, written in the context of the post-world war II fiscal policy in the US, but it is in our judgment eminently relevant to the current discussion in our country on fiscal policy. In this paper, Domar demonstrates that "the problem of the debt burden is essentially a problem of achieving a growing national income increase". With a growing national income, Domar shows, the taxation required to finance the interest liabilities of a government on its public debt will not impose a particularly unbearable burden on the economy. In fact, he shows that "the greater is the rate of growth of income, the lower will be the tax rate [required to meet the interest charges on public debt], even though a more rapidly rising income results in a larger absolute magnitude of the debt".[15]

What is necessary to ensure, according to Domar, is that government expenditures are productive, not necessarily, however, in the narrow sense of requiring that "the assets constructed make a direct contribution to the federal treasury or are self-financing" but in the larger sense of contributing to the growth of national income. "National income", Domar asserts, "would be able to advance at a higher rate if governmental expenditures were productive in our sense".[16] Thus, if we are worried about the burden of a growing public debt, the thing to do for policy-makers is not to stop or reduce public borrowing but to review the existing allocations of governmental expenditures and make sure that the maximum possible proportion of these expenditures is incurred in areas and in a manner that contributes, of course optimally, to the growth of national income. Then, with national income growing fast, indeed faster than before, if reallocations are done correctly, the burden of taxation required to finance the interest outgo from the budget will be possible to keep low and the sort of situation currently being faced by us, with an increasing proportion of the government's currernt receipts having to be earmarked for interest payments, will still be possible to avoid.

The answer to our current concern about the size and burden of internal public debt is certainly not to take fright and start slashing governmental expenditures so that net public borrowing can be curtailed, if not altogether eliminated, because in the process growth of national income could suffer. The recipe of slashing public borrowing would be tantamount to throwing out the baby with the bath water, if not killing the goose that lays the golden egg.

Conclusion

We could do no better than to conclude this essay with a ringing final observation of Domar from his paper referred to above:

> When post-war fiscal policy is discussed, the public debt and its burden loom in the eyes of many economists and laymen as the greatest obstacle to all good things on earth. The remedy is always the reduction of the absolute size of the debt or at least the prevention of its further growth. If all the people and organisations who work and study, write articles and make speeches, worry and spend sleepless nights—all for fear of the debt—could forget about it for a while and spend even half their efforts trying to find ways of achieving a growing national income their contribution to the benefit and welfare of humanity and to the solution of the debt problem would be far greater.

Notes

[This is a revised, updated version of the author's D K Shukla Memorial Lecture (1992-93) at the Department of Economics of the MS University of Baroda. The author gratefully acknowledges the benefit he had of the comments from V N Kothari, J C Sandesara, S R Hashim, and R J Mody. The responsibility of errors, if any, is entirely the author's.]

1 India ranked among the top 15 countries in the world with regard to the ratio of public debt to GDP in the mid-80s. Interestingly, however, compared to Singapore's ratio of close to 90 per cent, India's worked out to 45 per cent.

2 The calculations are made after converting the outstanding external public debt at the exchange rate prevailing at the end of the financial year and adding them to outstanding internal liabilities. We agree fully with the observation in the *Economic Survey 1992-93* (p 22) that "it is more appropriate to convert them [i e, external liabilities of the government] at current end-of-the-year exchange rates to reflect the burden of the debt fully".

3 Thanks to the sharp devaluation of the rupee since July 1991, the more recent figures have a different story to tell. The increase between 1980-81 and 1992-93 (RE) of the internal public debt works out to 9.35 times as against 8.31 times for the external public debt. (See also note 4.)

4 One has to be a little cautious here. What

is referred to here as public external debt appears to be too narrowly defined and is understood to exclude the external debt of even fully-owned government commercial undertakings, though almost all of that carries explicit public guarantees. Even the narrowly defined public external debt had, as noted, increased by 8.31 times by the end of September 1992 compared to its level in 1980-81 (see *Economic Survey, 1992-93*, pp 25 and 118), which compared to the increase in the overall external debt of 10.42 per cent over the same period was still lower. Here our assumption is that the figures put out for both public and overall external debt are broadly correct, at least in regard to change over the period. But note has to be taken of the existence of disparities between various estimates of the magnitude and growth of the country's overall external debt. Also, these disparities are partly at least traceable to differences in the estimation of public external debt. (See, Arun Ghosh, 'India's External Debt in Relation to BOD Prospects', *EPW*, February 6.)

5 See, in particular, Raja J Chelliah, 'Growth of Indian Public Debt' in Bimal Jalan (ed), *Indian Economy: Problems and Prospects*, Viking, 1992.

6 In working out this figure of 85 per cent, we have excluded the debt owed by the state governments to the centre. This avoids double counting. It is well to bear in mind, however, that the states' debt to the centre is almost 2.5 times the debt they owe currently to others, including banks and financial institutions.

7 The term 'internal debt' is used to cover the various liabilities of the government which in official documents are referred to as 'internal liabilities' including what is narrowly called 'internal debt'.

8 While interest payments are shown in the official documents separately for internal and external debt, interest receipts, dividends and profits are not so shown. The practice so far followed in the official documents is to put out also figures of total net outgo on account of interest payments. But in netting for receipts, account is not taken of the government's receipts as dividends and profits and to that extent the net outgo on account of interest payments has tended to be overstated.

9 These figures are different from those given in the *Economic Survey, 1992-93* (p 26). The net outgo figures worked out by us include dividends and profits in addition to interest receipts. The increase in net outgo, as worked out by us, over the period is of the order of 2.4 times, substantial no doubt but far short of the four-fold spurt referred to in the *Economic Survey*.

10 While direct returns from government investments figure in the numerator of the recovery ratio, the interest returns, assuming that they get reflected in the expansion of tax revenues and therefore of total revenue receipts, will figure in the denominator while working out the relative burden of the net outgo relative to the government revenue receipts. Expansion in tax revenues may come about either because national income itself grows fast or because given the rate of increase in national income the ratio of tax revenues to national income rises. Of course, both the factors could well operate simultaneously.

11 The present writer has sought to bring out the implications of this particular shift in fiscal policy's focus requiring a blanket reduction in fiscal deficit. See, I S Gulati, 'Reducing the Fiscal Deficit', *EPW* July 20, 1991. Also, R J Mody, 'On Defining the Fiscal Deficit', *EPW*, September 21, 1991 and Mihir Rakshit, 'The Macroeconomic Adjustment Programme: A Critique', *EPW*, August 24, 1991.

12 See, *Economic Survey, 1992-93*, p 28. In principle, a reduction in the centre's outstanding liabilities is possible through "either a primary surplus or from the proceeds of asset sales". But, as the *Survey* puts it, "the effectiveness of the latter" [i e, debt reduction with the proceeds of asset sales] can be increased by retiring high interest debt or disinvestment of the equity of selected issues which were making losses". So we cannot be accused of stretching the point to infer that the *Survey* does envisage debt reduction in the absolute sense. Chelliah is much more forthright when he calls for the "liquidation of a substantial part of the existing stock of internal debt" without which, according to him, "it would not be possible to eliminate the revenue deficit within even the next five years" and "the demand of government investment will have to be kept too low, affecting growth and welfare" (op cit).

13 After noting that "interest payments net of interest received increased by nearly four times, from 3.6 per cent to 13.9 per cent" of total government expenditure between 1980-81 and 1991-92 (RE), the *Economic Survey 1992-93* speaks of the fiscal correction measures taken to reduce the level of borrowings and expresses the hope that within a few years the reduced level of borrowings will have "a perceptible impact on the heavy interest burden of the government". What the *Survey* fails to address are the factors underlying the phenomenal increase in the net outgo on account of interest payments particularly as a proportion of the revenue receipts of the government. Not surprisingly, therefore, the main focus of the so-called fiscal correction measures seems to be directed at reduction in borrowings.

14 See, E D Domar, 'The 'Burden of the Debt' and the National Income' in his *Essays in the Theory of Economic Growth*, Oxford University Press, 1957.

15 Following Domar, the required tax rate to meet the interest changes on public debt would approximate to:

$$\frac{\alpha}{r} i$$

where α is the fraction of national income being borrowed by government, r is the rate of growth of national income and i is the real rate of interest.

Thus, assuming $\alpha = 6$ per cent, $r = 5$ per cent and $i = 2$ per cent, the required tax rate would work out to 2.4 per cent. With only r changing to 8 per cent, the required tax rate will work out to 1.5 per cent.

Given Domar's definition of taxable income, his required tax rate is none other than the ratio of tax revenue to national income (including, of course, interest on public debt).

16 The view taken in the *Economic Survey 1992-93* (p 20) with regard to the efficiency of government expenditure is totally opposite to Domar's. "In an efficient system" the *Survey* observes, interest payments of the government "would have been covered by returns on productive capital expenditure and investment financed by debt". Adjudged thus, the government's plan spending is found to be severely wanting and therefore comes in for severe strictures when the *Survey* notes that "instead of providing such a cover, plan expenditure has been characterised by low returns from investments and inefficiency".

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Breast-Feeding and Working Mothers
Laws and Policies on Maternity and Child Care

Mina Swaminathan

Laws and policies which attempt to promote breast-feeding merely by placing restrictions on artificial feeding without simultaneously providing positive social support measures may be damaging to children besides being unfair and unjust to women. A radical change in perspective is needed which recognises that a woman's reproductive role is a form of 'social production' which needs social support.

GREAT concern is currently being expressed about the trend towards decline in breast-feeding and its implications for the health and development of children. The efforts consequently being made to promote breast-feeding through social policy and new legislation, such as the Infant Milk Substitutes, Feeding Bottles and Infant Feeding Act (1992) tend to focus attention almost exclusively on the welfare of the child. However, keeping in mind women's dual roles as productive workers and citizens on the one hand and mothers on the other, it is necessary to raise certain issues related to working mothers and the law in order to take a more comprehensive and balanced view of the needs of both women and children. This becomes even more important since some of the existing and proposed laws seem to be contradicting instead of complementing each other in seeking to attain common goals. It is also inadequate to consider laws alone. A holistic perspective must take account not only of laws (and rules under them) but also of government policies as expressed in schemes as well as prevailing work-place norms and conventions.

This paper is hence divided into three sections: (1) The rationale for an approach to the issues related to working mothers, breast-feeding and the law; (2) Review of prevailing laws and policies and their implementation; and (3) Proposals for comprehensive legislation and policies.

I
The Rationale

Considering the issues from the standpoint of the welfare, health and development of both women and children, and in the light of women's productive responsibilities as workers, the basic argument adopted here is that of all laws and policies affecting the working mother in relation to breast-feeding, those concerning maternity leave and benefits are of primary significance, those relating to creches for working mothers are secondary, while yet another set of other laws and policies can be considered as tertiary support systems. Before taking up the analysis of the prevailing laws and policies from this perspective, we outline the underlying rationale for this argument.

Current medical opinion holds that exclusive breast-feeding is essential for the child for the first four months of life, with supplementary feeding ideally being started at four months. Continued breast-feeding is recommended during the period of weaning for several months thereafter. If the main concern is to find ways of allowing the mother to remain constantly available to the child during the first four months of life, it makes sense to begin by considering maternity leave and benefits as the primary instrument to assist working women.

There is some divergence of opinion about how long breast-feeding should continue, some specialists being in favour of continuing till the child is two years of age. There are also strong arguments supporting the hypothesis that prolonged breast-feeding reduces the chances of conception and hence contributes towards spacing of births. These controversies however do not affect the position as regards the first four months about which there is near unanimity.

Studies which provide the following kinds of evidence need serious consideration:

The volume of milk production in women during the first year does not vary much, but there is a definite variation with regard to the attainment of peak lactation. Amongst those women who may be termed 'early producers', the peak is attained at the end of the third month, while the 'late producers' reach the peak only after six months.

It has been found that working women in agricultural societies arrange for some kind of substitute feeding through caretakers in their absence during daytime and try to compensate by offering unrestricted suckling during the night [Helsing and King 1984]. This disrupted feeding pattern not only reduces lactation, which is responsive to demand and thus the total availability of breast milk to the child, but also increases the risk of diarrhoeal infection as a consequence of unhygienic substitute feeding, both factors contributing to malnutrition of the child [Population Reports 1984].

It has been found that amongst urban slum women in India many are unable to breast-feed the child exclusively for more than two months, their lactation failure being related to their own low levels of nutrition and health [Gopalan 1990].

These findings, which underline the need to provide the mother with adequate rest, nutrition and care during the first few months, also indicate the primary importance of maternity leave and benefits in this context.

Creches for children below six years form an essential support service for working mothers as well as a developmental service for children and hence require powerful advocacy. However, creches as support for breast-feeding are meaningful only under conditions which may be in practice difficult to meet, i e, they must be: (a) close enough to the mother's work-place to be accessible for feeding throughout the day, and (b) competent to take care of infants during the first few months of life.

As far as the former is concerned, most women workers find it difficult to carry the child to the work place, especially if they have to travel long distances in urban areas. Besides, the environment at the work place may be unhealthy, hazardous or otherwise undesirable for infants. World-wide experience in the last 50 years has not found the work-place to be the best location for child care, being found satisfactory only in those cases where the work-place and the housing site coincide, as in the case of institutional campuses, large construction sites, and workers' housing colonies. Even the socialist countries which have pioneered the work-place creche are gradually moving towards creches in residential areas.

As far as the second condition is concerned, it must be noted that the youngest infants, for whom breast-feeding is relevant, are also the most vulnerable and risky to care for, and creches find it difficult to manage them except in very favourable circumstances. In general, the tendency is to concentrate on children older than one year of age, some countries even going so far as to lay down the minimum age for admission to the creche. Even in Vietnam, which has the most

extensive coverage of young children (0-3 years) in creches, it is comparatively rare to find infants below eight months of age in the creche. The creche seen merely as an aid to breast-feeding must therefore be considered only as a secondary support.

Tertiary support systems are needed, which have yet to evolve, including such elements as part-time work, take-home work, flexi-time, and shift work for mothers in the first year after childbirth, and extended parental or family leave later on.

II

The Review

Who are working mothers and how many? Census figures and estimates by various agencies [*Shram Shakti* 1988] indicate that there may be about 10 crores of working women in India, many of them below the poverty line. Estimates based on Census data [Swaminathan 1991] indicate that there may be at least two crores working mothers of young children (aged 0-6 years) whose 4.5 crores young children are in need of day-care It is not possible to state how many of these children are infants (0-1 years) who need breast-feeding, but clearly the number would run into several millions, perhaps a crore, and concern several million working mothers. Most such working mothers of young children work out of economic necessity, which is made more imperative by the high incidents of female-headed families among the poor.

To whom do the laws apply? In general, it is found that laws and statutory welfare provisions do not affect all categories of women uniformly but are applicable only to workers in the organised sector and in establishments of over a specified size. Self-employed, contract workers, those in small establishments may find themselves outside the scope of these laws.

It is estimated [*Shram Shakti* 1988] that 89 per cent of all working women are in the informal sector and only 11 per cent in the organised sector. It is difficult to draw the line between the two, though size of establishment and self-employment are two criteria which can be used to make distinctions. Thus, the majority of women in agriculture, construction, forestry, fisheries, dairying, and handicrafts may be self-employed, or work in small establishments, or as contract workers, and may be said to be in the unorganised or informal sector, women working in mines, factories, plantations, transport, utilities, etc, may be said to be in the organised sector. However, the agriculture sector includes large force of wage labour, more than 50 per cent of whom are women, while women working in shops, offices, schools, hospitals, welfare institutions, etc, in the category 'services and professions' can be found in both groups.

Several laws and service rules, government policies and schemes, as well as norms and conventions affect the opportunity of working women to breast-feed their children. However, the only law which addresses the issue directly is the Maternity Benefits Act (1961).

(1) The act applies to women working in establishments employing 10 or more persons (including mines, factories, plantations, offices, shops, circuses) that is, it applies to practically all women in the organised sector.

(2) The act provides that a woman (who has actually worked for a period of not less than 160 days) shall be entitled to maternity benefit for absence from work not exceeding three months (six weeks immediately preceding and including the day of delivery and for the six weeks immediately following that day). This obviously restricts the period of exclusive breast-feeding of the infant to six weeks.

(3) A woman is also entitled to an additional period of leave with wages up to a maximum of one month, if she is suffering from illness arising out of pregnancy, delivery, premature birth or miscarriage. This clause is intended to safeguard the mother's health but cannot be used only to extend the period of breast-feeding.

(4) Section 11 Rule 6 provides for two nursing breaks of 15 minutes duration each in the course of the mother's working day. If the creche is not attached to the work-place she can take not less than five or not more than 15 minutes time for travel. This assumes that the mother has access to a creche or some other facility near enough for her to avail of the nursing breaks.

It is evident that the present laws and conventions regarding maternity leave and benefits are not supportive to the breast-feeding mother, either quantitatively or qualitatively To begin with, the law leaves out, for the basic purpose of maternity leave, the vast majority of women in the unorganised sector including home-based workers, self-employed, contract workers, etc, as well as lets slip many who work in small establishments in the organised sector And secondly, the provision regarding nursing breaks can become operative only for a minuscule number, as will be seen below

Qualitatively, the law practically debars healthy mothers from exclusively breast-feeding their infants for more than six weeks and more or less compels them to resort to supplementary milk foods, thus running counter to the intention of the new bill for the regulation of infant foods and breast milk substitutes.

Creches are statutorily provided to women working in mines, factories and plantations (under the Mines Act, the Factories Act, and the Plantations Act) and also to contract labour and inter-state migrant labour (under the Contract Labour Act and the Inter-State Migrant Workers Act). But even this statutory obligation only applies to establishments where more than a specified minimum number of women usually 30, are employed (except in the case of mines). There is no statutory provision for women in the services and professions, who hence have to depend on creches in the voluntary and private sectors.

Creches to support women in the unorganised sector are sought to be promoted by the Scheme of Assistance for Creches for Children of Working/Ailing Mothers, a central government scheme which offers financial assistance to voluntary agencies to run creches for children aged 0-6 years of working women below the poverty line

In quantitative terms, the present laws and policies regarding creches leave out the majority of working women in the unorganised sector and their children.

In qualitative terms, it may be noted that the funding pattern of the scheme for creches makes it very difficult for NGOs, without additional resources to run creches as a satisfactory day-care service, judged in terms of meeting the needs of the mother or in terms of promoting the all-round development of the child [Swaminathan 1985].

As far as implementation is concerned, the available evidence (Appendix I) indicates that: (a) the provision of creches is highly inadequate in relation to the total number of working women and their children aged 0-6, (b) very few creches keep infants (0-2 years) especially those young enough to need breast-feeding, and (c) only a very small number of creches are located at work-places.

The work-place creche as a support to breast-feeding is not at present an option for the great majority of working women in our country. Under prevailing conditions, it may be unrealistic to expect infants below 6-8 months to be kept in creches at the work-site and only a few mothers may be willing to utilise them.

It is interesting to compare our laws and policies with those of other countries. In the developing world most countries are in a position similar to ours, still bound by the shackles of the colonial past. The outstanding exceptions are the socialist countries. Most countries of the industrialised world have evolved more protective laws and policies for mothers and children, with the lead again being taken by the socialist countries (Appendix II).

III

The Proposals

A radical change of perspective is needed which recognises that woman's reproductive role is a form of 'social production' that is, time spent on maternity is not to be seen merely as 'absence' from economically productive work, but as 'presence' in the socially and economically productive work of rearing the next generation, or in building human capital or human resource development. From this standpoint, a woman who is fulfilling the double roles of production and reproduction simultaneously (the working mother) needs social support from several sources, namely, the family, society (in the sense of community), the state and the employer. And it is only in relation to the last two categories, namely, state and employer, that the law can play a significant role.

Laws and policies which attempt to promote breast-feeding merely by restrictions on artificial feeding without simultaneously providing positive social support measures may be damaging to children besides being unfair and unjust to women. By limiting women's options and forcing women to make painful choices between child and work, such an approach places the burden of both choice and guilt on individual women, denying social responsibility for mother and child.

To genuinely promote the health and welfare of both mothers and children, there is need for comprehensive legislation and policies which will consider maternity and child-care services jointly, since pregnancy, childbirth, lactation, infant care and day-care form a continuum of needs. Such a perspective should concern itself with mothers and children for the entire period from pregnancy up to the time the child reaches the school-going age, with varying responses to each stage.

Maternity Benefits Act

The single-most important step from the point of view of breast-feeding is the amendment of the Maternity Benefits Act along lines more sensitive to the needs of mother and child. The following suggestions attempt to tackle the problem directly.

(1) Maternity leave as such should be calculated from the day of childbirth and should be for a period of four months.

(2) Mothers may have the option of extending maternity leave for a further period, at first on half pay, and then nd pay, but without loss of other service benefits, seniority, etc.

(3)Leave during the final stages of pregnancy from two to four weeks may be taken, as medically advised, and should be treated on par with medical leave. This leave should not be deducted from maternity leave.

(4) Women should not be transferred or subjected to other punitive actions or suffer loss of benefits during the basic maternity leave period of four months.

(5) Nursing breaks should be of 40 minutes duration each—20 minutes for feeding and 20 minutes for travel and may be allowed till the child reaches the age of 12 months.

The rule should be applicable (a) when there is a creche facility, statutory or otherwise, at or near work-place, defined as ten minutes travel time each way; and (b) when there is any arrangement, individual or organised, by which the mother can go to the child or the child be brought to the mother within this time period. In the latter case, nursing space should also be provided.

It is understood that maternity leave of four months has already been introduced in the states of Haryana, Punjab and West Bengal

In addition to legislation, supportive practices like part-time work, take-home work, and shift work in the first year after childbirth and extended parental or family leave later on should first be tried out as schemes or optionals, so that they can later be integrated into the system through law.

Creches and child care services are an essential facility for the children of working mothers both as support service for working women and as a strategy for the protection, care and healthy all-round development of young children. Even though creches may play only a limited role as far as breast-feeding alone is concerned, laws and policies for maternity and child care must be considered as a whole. It is therefore suggested that: (1) Contributions towards the provision of creche and child care facilities be made compulsory for all employers under the Shops and Establishments Act. This will bring many more women employed in services and professions under the purview of protective legislation.

(2) The existing rules be amended so that the statutory obligation to provide creche facilities may be fulfilled not only by each employer maintaining a creche but also by groups of employers coming together to jointly finance and maintain common creches and by creches financed by employers' contributions but managed by appropriate agencies, either governmental or non-governmental.

An example of such legislation is the recent amendment to the rules under the Factories Act in Tamil Nadu. While an example of support policy is the scheme being introduced by the ministry of labour, government of India providing training and financial incentives to groups of employers on industrial estates who are willing to run common creches, either by themselves or by funding appropriate voluntary agencies.

From the experience so far, it is clear that such 'enabling' legislation can be translated into reality only with the help of further supportive laws, policies and schemes. Such support can be provided through setting up a National Child Care Fund as an autonomous or statutory body, exclusively for the purpose of funding, monitoring and supervising child care services for the children of women workers.

Suggestions for a National Child Care Fund drawing on contributions from employers, state, parents and donations (with tax relief) from the public, and devoted exclusively to the financing of creches and day-care for all children who need it have been made in *Shram Shakti* (1988). This document also includes detailed suggestions for setting up a national network of child care services.

It must be recognised that such protective welfare legislation and policies will first become available to women workers in the organised sector, who are not only a small minority of all women workers, but also already more privileged and more affluent than their sisters in the informal sector. In the present stage, this is inevitable. Studies have found serious and disturbing decline in breast-feeding among urban women in services and professions belong to the middle and lower-middle classes. Hence, though the urban service-sector working women may be numerically far fewer than women in the unorganised sector, they deserve serious attention from the point of view of promotion of breast-feeding.

But there are ways in which these benefits can be extended step by step to the unorganised sector. Two main approaches can be followed: (1) Extending statutory benefits to other categories of workers through occupation-specific legislation such as Bidi and Cigar Workers Act, and through proposed new legislation such as Construction Labour Bill, the Agricultural Workers Bill and the Karnataka Rural Development, Employment Generation and Employment Guarantee Bill. (2) Developing maternity and child care schemes as part of a social security network for women and children. Examples of both approaches already exist: The Employment Guarantee Act (Maharashtra) which provides maternity benefits to women working in projects covered by the act and the Maternity Benefit Scheme of Tamil Nadu and Maternal Protection Scheme of Gujarat which provide some financial help to women below the poverty line.

It must be recognised that such legislation is likely to meet with considerable

resistance from employers. Further, women workers themselves and women's organisations may be opposed to it, fearing adverse consequences on women's employment and discrimination against women. Trade unions, who have in the past been lukewarm to women's issues, may also be unlikely to offer support. Hence a widespread, active and sustained campaign of public education must precede and follow the enactment of any such laws in order to contain the possible damage to women's advancement and to promote and advance the cause of women and children.

Appendix I

Creches and Day-Care Services

According to government of India (Programme of Action NPE 1992, Ministry of Human Resources Development) there were 12,470 creches in 1991-92 serving about three lakh children. These figures, which include both statutory and voluntary creches, do not specify the numbers of children in each group, nor the number of working mothers. Another estimate [Swaminathan 1991] indicates that about 2.5 lakh children are found in 10,000 creches in the voluntary sector and only about 50,000 children are in creches in the statutory sector. No specific information is available about the numbers of children in the age groups 0-2 years and 2-6 years in either sector.

In the statutory sector alone, it is estimated that three lakh 'entitled' women (with six and a half lakh young children) are covered by the existing laws. Thus the number of statutory creches is very inadequate in relation to the number of children involved. Still worse, they are often found more in name than in actuality, especially in relation to mines, factories, and contract labour, though there are some outstanding exceptions among industrial creches. The best record as far as provision for infants close to the mothers' place of work is concerned, is in the plantation sector in South India [Swaminathan 1985].

Many or most of the creches in the voluntary sector have the following characteristics [Swaminathan 1985]: (a) they do not operate for the whole day nor do their timings coincide with the working hours of mothers; (b) they usually do not cater to children below two years of age; and (c) they are not located in close proximity to mothers' work-places.

The largest Indian child care programme, Integrated Child Development Services, has no day-care component except in Tamil Nadu and Kerala [Swaminathan 1990] nor does it provide custodial care even for short periods to children below two years. Creches run by municipal and local authorities exist in some places, but the number is too low to be of significance. There is no estimate of the number of creches in the private sector, or of children/mothers availing of their services. Little is known about the nature of services for infants in private creches, either, with the exception of a few micro studies [Nakhate-Datta 1987]. Available information indicates that they are more likely to be found in residential areas than near the work-place.

Appendix II

Comparative Review of Laws and Policies Relating to Maternity and Child Care

A compilation by ILO of legislation and policies regarding pregnancy, maternity, infant feeding and marketing of breast milk substitutes in 135 countries provided the data base for this overview. Sharp contrasts can be observed between the practices of the socialist (present and former) and market-oriented countries, as well as a growing divergence in trends between the industrialised countries, where employment is preponderantly in the organised sector and the developing countries, where the informal sector predominates. This review will consider the data for the developing and industrialised countries in turn.

The countries of the developing world can be categorised into four groups, on the basis of the practices followed in this regard

(1) Standard practice: The majority of countries in the developing world provide three months (or 12 weeks) of maternity leave, most frequently divided up into six weeks before and six weeks after childbirth. This group includes India, and most of the market-oriented countries as well as a few socialist countries—Brazil, Jamaica, Peru, Mexico and several other large countries in Latin America and the Caribbean, other south Asian countries, most of the African and Arab countries and several other Asian countries fall into this group. In almost all maternity benefit is at 100 per cent of wages with protection against dismissal during maternity leave. However, a few countries provide much less—Argentina, Ecuador, Iraq and some other Arab countries like Kenya, Mozambique, the Philippines, Sudan, Uganda, Singapore and Thailand.

(2) Increased emphasis on post-natal period. Some of these countries have begun to recognise the importance of providing more leave in the post-natal than in the pre-natal period and have divided up the 12 weeks leave in different ways, for example, Indonesia, Madagascar, Nicaragua, Trinidad and Tobago, (4 weeks before and 8 weeks after childbirth); Haiti (4 weeks before, 6 weeks after and 2 weeks either before or after, at mother's choice); and Sri Lanka (2 weeks before and 10 weeks after).

(3) Extension of post-natal leave: Only a handful of countries have taken steps to provide full three months maternity leave during the post-natal period. These include: Costa Rica (4 weeks before and 12 weeks after); Chile and Cuba (6 weeks before and 12 weeks after); Egypt (12 weeks after, pre-natal not specified); and Niger (2 weeks before and 12 weeks after).

(4) Socialist practice: While most of the socialist countries in the developing world (such as Cuba, Ethiopia, Nicaragua) fall into the above three categories, China and Vietnam are outstanding in their different approach to maternity and child care. In China, maternity leave ranges from six to 12 months, but at less than full wage; and it is reported that many mothers prefer to return to work earlier in order to earn the full wage. In Vietnam, maternity leave is provided for four months after birth. Details about the extent of benefit and pre-natal leave, etc, are not available at the time of writing. In both countries there is an extensive network of creche and child care centres.

The significance of the facts outlined above can be appreciated in the context of the following observations: (1) In most of the developing world, the majority of women are working in the informal or unorganised sector, and hence the type of provisions described above would apply to only a minority, more specifically to those working in government and in large public and private sector concerns. (2) Most of these countries (several of which are ex-colonies) have borrowed their legislation from the industrialised countries, and few have made serious efforts to develop new laws more appropriate to their own economies. (3) Several are now making adaptations, mostly by providing for extension of leave beyond the period statutorily provided, for varying periods, and at varying levels of benefit. This is the most encouraging approach so far and the one most commonly being adopted. (4) In many of these countries, legislation regarding creches and nursing breaks has also been borrowed from industrialised countries, and hence creches and nursing breaks are legally required in units employing more than a certain number of women. However, creches are very little developed in most of these countries and where they do exist, they are not observed to meet the needs of infants (5) It is surprising that most of the socialist countries in the developing world are not much in advance of others in this respect, in spite of the importance theoretically attached by them to women's liberation and participation in the workforce. In China, maternity provision must be seen in the light of the emphasis on the one-child-family norm. Also, it must be noted that actual implementation is more likely among government cadres and public workers, and in urban areas and large establishments. There is evidence that child care provisions have been rapidly eroded in the last decade.

The industrialised countries can also be grouped into four categories in terms of provision for maternity and child care. All of the socialist countries provide for fairly long periods of maternity leave at full pay, with job security and provision for extension of leave, as well as work-place nurseries and creches, e g, Bulgaria (4 months post-natal with possible extensions for first child and more for subsequent children); Czechoslovakia (22 weeks post-natal for first child with possible extensions and more for subsequent children; also additional for single mothers); Hungary (20 weeks with not more than nine weeks of these pre-natal, and possible further extensions); Poland (16 weeks for first child and more for subsequent children); Romania (14 weeks of which at least seven must be post-natal); USSR (former) (18 months post-natal); Yugoslavia (6-12 months post-natal with possibility of half-time work up

to two years). These findings relate to the pre-1989 period, and in the light of the sweeping political developments of the last three years and fundamental changes taking place in the former socialist economies, it is not yet clear how these provisions will be or have already been altered.

Scandinavian countries, which have the highest per capita incomes in the world and a long history of welfare-oriented socialist governments, provide long maternity leave but at less than full wage and have of late moved to providing parental leave which can be taken by either parent. E g, Denmark (20 weeks post-natal, 10 of which may be taken by either parent, with further parental leave up to two years); Finland (35 weeks post-natal, 2 of which may be taken by either parent, with supplementary unpaid leave up to one year); Norway (18 weeks, up to 6 of which may be pre-natal, 12 of the total may be taken by either parent, supplementary unpaid leave available); and Sweden (84 weeks, most of it available to either parent).

Western European countries which form part of the EEC have wide variations among them, with western Europe setting the pace. Most pay less than full wages during the leave period. Examples: France (16 weeks with additional for breast-feeding mothers); Germany (26 weeks, and up to 3 years parental leave); and Italy (48 weeks with up to 26 weeks parental leave, and supplementary leave for 6 months).

Anglo-American countries which include Britain, Canada, Australia, New Zealand and the US, have the least favourable provisions in the developed world, with the US undoubtedly at the bottom. Australia (from 6 weeks up to one year, but mostly unpaid), Canada (37 weeks at 60 per cent pay for Federal government employees, unpaid leave only for provincial and local government employees, and 15 weeks in the private sector); New Zealand (26 weeks, at least 20 after birth, at allowances equal to sickness benefit); UK (44 weeks starting at 90 per cent wages for the first 6 weeks, with levels of benefit declining over the period); and the US (no maternity policy as such, left to private arrangements and usually based on earned leave. In some states, provision available as pregnancy disability). In the US, job protection is available only to a limited extent under the Pregnancy Discrimination Act, elsewhere, jobs are protected.

The laws in these countries have evolved over a period of time, as an expression of basic social philosophies and in response to social movements; in western Europe and Scandinavia, maternity and child care policy has to be seen in the context of dwindling family size and official population policy promoting a higher birth rate, universality of nuclear families as well as increasing incidence of single-parent families, and influence of powerful labour and women's movements in shaping social policy. In consequence, it can be observed that there is a substantial provision for creches and child care facilities. A relationship can also be found between the concept of extended parental leave and the minimum age of entry to child care centres, legally or conventionally defined.

In the socialist countries, the policy of liberal maternity benefits and extensive provision for creches and child care services has been a basic plank of social policy since the Communist Revolution, and was an expression of the socialist commitment to the liberation of women and to the active participation of women in economic, political and social life. The kind of changes likely to take place in the former socialist countries are as yet unclear. Sadly, the Anglo-American tradition, which gives least importance to state intervention for the protection of mother and child, and leaves everything to market forces, is the one which seems to have been the model for most of the developing countries.

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DISCUSSION

Subsidies in Higher Education

M Govinda Rao

TILAK (1993) in his criticism of the analysis of subsidies in higher education contained in my paper [Rao 1992] raises three questions, namely, (i) what is the cost recovery rate? (ii) what should be the cost recovery rate? and (iii) how should it be achieved? In his view, the recovery rate estimated in Rao-Mundle (1992) is an underestimate; the suggestion made in Rao's paper to charge economic prices is not based on sound principles of public finance; and the method recommended to effect higher recoveries is inappropriate. Debate on these questions is most welcome. If nothing else, it at least calls attention to the misallocation of public resources within education. However, Tilak's comments are merely assertions, not based on any logical reasoning. Nor does he show much awareness of the conceptual framework employed in the studies on subsidies to which he has referred to. However, in order to ensure that readers are not misled, some clarification on the data sources and the conceptual and methodological framework employed in my paper is necessary.

Tilak's main argument relates to the estimate of cost recoveries. He asserts that the concept of recovery rates is not explained anywhere in my study and that the budgetary data used to estimate cost recoveries are less reliable than the data put out by the department of education of the ministry of human resource development. It is argued that the estimate of cost recovery computed on the basis of the latter source is appreciably higher than my estimate. Tilak, however, does not provide any argument for rejecting the budgetary data in favour of the data published by the education department. He merely asserts that he 'considers' the latter to be more reliable. He states (p 246), "Even though I cannot explain the huge difference between the department of education data and the data given in the finance accounts, I feel that the former are more reliable and appropriate for such an analysis than the latter" This is hardly a basis for rejecting an alternative data source in any scientific research. While there is always room for improvement in most data sources, it is preposterous for anyone to claim that the data on actual receipts and expenditures of government departments presented to the state legislatures and audited by the comptroller and auditor general is, for unstated reasons, less reliable than the information compiled from the state education directorates by the human resource development ministry. Not is it proper to discard one data source when the difference between the data sources are not understood.

Equally regrettable is the charge that I do not explain the concept of subsidies used in the study. Of course, the paper does not contain the conceptual and methodological details because it is only an overview paper putting together the results of various studies on the states' finances. On the issue of subsidy and cost recovery, the paper simply reports the results estimated on the basis of the concept and methodology explained in detail in Mundle-Rao (1991) and Rao-Mundle (1992). The latter paper, which Tilak cites, clearly states that more detailed discussion on the concept and methodology is contained in the Mundle-Rao paper. The papers have also been discussed rather extensively. It is strange that Tilak should have chosen to criticise the estimates without bothering to read the original paper from where the estimates were drawn and then complain that the conceptual framework and methodology had not been explained

The computation of budgetary subsidy as defined here involves estimation of two elements, namely, the cost of providing the service and the cost recovery. The cost of providing the service consists of the variable cost (revenue expenditure), interest cost on cumulative capital expenditure and depreciation. Similarly, the recoveries consist of recoveries by way of user charges and interest and dividends (if any) received by the concerned department on the loans given to and investments made in non-departmental entities providing the services in question. The recovery rate is simply the ratio of recoveries to the cost of providing the service.

Thus, subsidy estimated by us refers to the general budgetary support for providing the service, which is the relevant concept from the viewpoint of the taxpayer. The two studies cited above estimate subsidies in respect of 85 sectors and sub-sectors appearing in the central and state budgets and higher education is one of them. The only available source which gives data compiled on a comparable conceptual basis across all governments and departments year after year is the audited Financial Accounts published by the comptroller and auditor general of India.

Though not essential for my reply to Tilak, it is interesting to explore the mystery behind the large differences between the budgetary data and data published by the education department to which Tilak has referred to. The expenditure and revenue figures published by the education department cover all recognised educational institutions, including government institutions as well as private aided and unaided institutions. Recovery rates in capitation fee colleges and other unaided private institutions are obviously quite high (over 100 per cent). However, from this it would be highly misleading to conclude that recovery rates are equally high in publicly provided education.

The next important question is what should the recovery rate be? The arguments put forth by Tilak for subsidising higher education make curious reading. He states that marginal cost pricing cannot be applied to education "...due to positive externalities, merit goods characteristics including lack of information and lack of income, the public goods nature including non-excludable character of benefits of higher education, decreasing average cost, and market failures" (p 247). In short, he has cited the entire list of conditions under which public intervention is desirable without bothering about which conditions apply to education. For example, if higher education indeed satisfies the non-exclusion characteristic of public goods, how can it be priced at all?

I had in my paper argued that economic pricing is necessary both for reasons of efficiency and augmenting resources. If one understands the conceptual framework detailed in the papers cited earlier, it becomes clear that I am not arguing for a marginal cost pricing rule, but merely stating that prices should be fixed fairly so that consumers are enabled to consume optimal quantities of the service. Higher education does involve significant externalities and subsidisation in its provision is definitely necessary. But consumers ought to pay a price which is commensurate with their annualised private benefits. At the same time, the poor should not be denied access to higher education merely because of their lack of purchasing power and for this appropriate financing mechanisms will have to be found.

On the question of effecting higher cost recoveries, while Tilak also agrees that it is necessary to raise fees, he considers the proposals put forth in my paper as unreasonable. In my view, broadly, the pricing of higher education must be done keeping in view the private consumption and investment benefits of the service on the one hand and the degree of externalities and merit good elements on the other. There is no operational method of quantifying these elements and therefore judgments are unavoidable. It may be noted that, in 1987-88, even when the proportion of illiterates was over 60 per cent just about 40 per cent of the outlay on education had been allocated to elementary education. With this, not only that universalisation of elementary education has remained a dream but even the quality of publicly provided education has been abysmally poor. The deprived illiterates surely do not have access to higher education. Further, the existence of private insitutions providing better quality elementary education to those who can afford has ensured better access to the highly subsidised higher education, particularly in scientific, technical and professional institutions to the affluent sections. It may be noted that estimates by Guhan (1992) show that subsidy per student at higher levels of education in 1988-89 (Rs 3,704) was over eight times that of elementary education (Rs 449). Indeed, enabling access to higher education to the currently deprived categories can be achieved only through substantial increase in the outlay at the elementary level. Although subsidy does have an important role in providing higher education, there is surely a case for substantially reducing it from the current levels. At the same time, the poorer sections should be provided with greater access to higher education through scholarships and loans.

Tilak argues that there are more efficient forms of cost recovery than the one suggested by me. In fact, I have only suggested reduction in the budgetary support and had mentioned that the individual institutions should be given adequate flexibility to make adjustments thereafter including raising of fees. Of course, within this approach differentiation among different levels and types of education can also be made. It is also possible to make differentiation on the basis of incomes as suggested by Tilak, but I would be hesitant to suggest this to avoid complication and misuse. However, this is not to deny that better methods of subsidising education can exist, but unfortunately the one suggested by Tilak is certainly not one of them.

[The author would like to thank Sudipto Mundle for useful discussion without implicating him in any manner.]

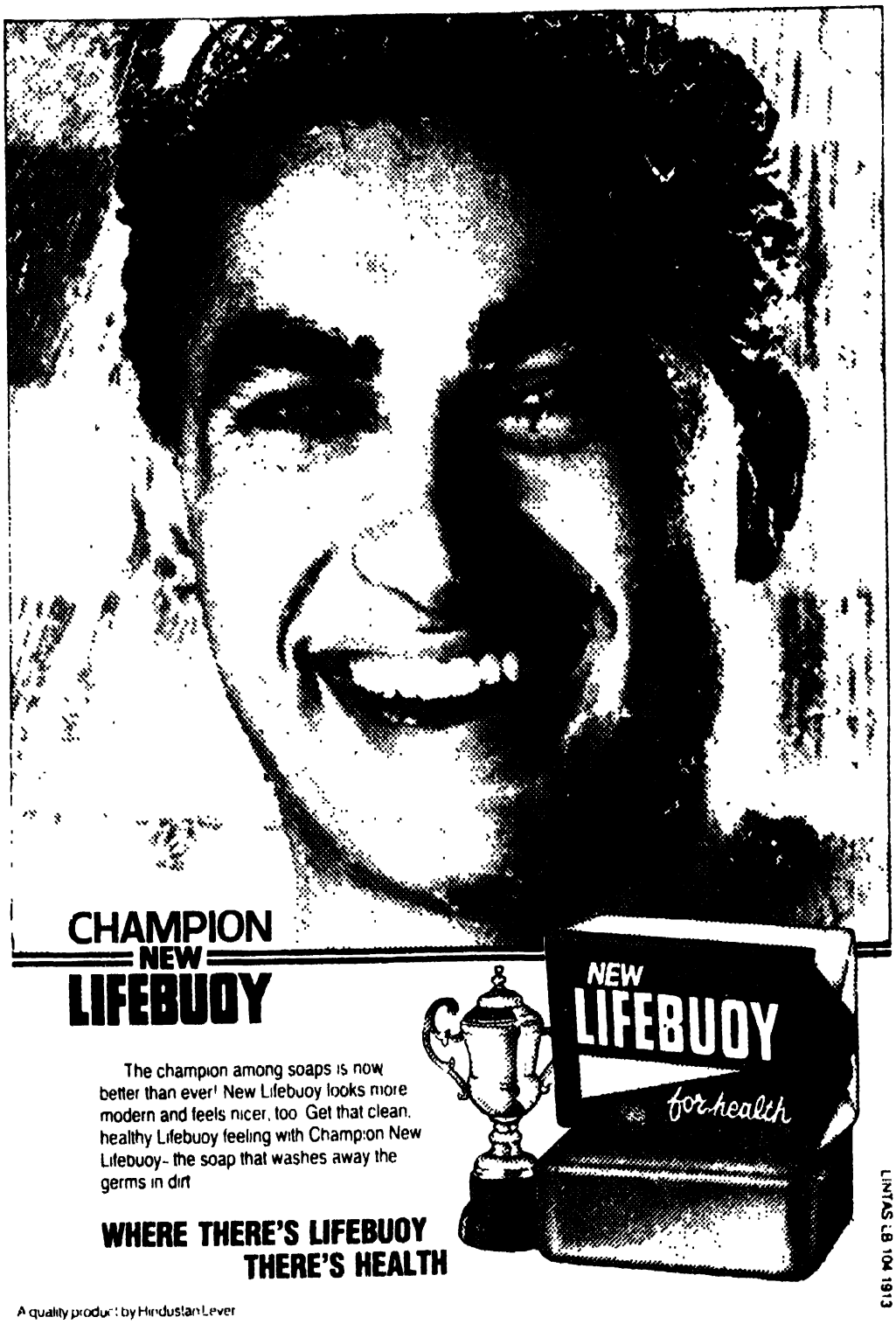
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What Ails Bangladesh?

While it is convenient for the IMF and the World Bank to blame successive governments in Dhaka for their failure to implement reforms and for the current Bangladeshi regime to attribute the poor results to malfeasance of its predecessors, the decade-long economic stagnation experienced by the country needs more substantive diagnosis. 925

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LETTERS TO EDITOR

Koyyuru Incident: Another View

THOUGH it was 'yet another kidnap, the Koyyuru incident is peculiar in that the leaders of the APCLC left behind their earlier viewpoint the civil rights angle to wed themselves to the cause of human rights Earlier, the APCLC leaders have gone on record stating that the organisation was born in order to protect the civil rights of the people Since civil rights are guaranteed to the people by the state, it is only the state which can violate civil rights The state has many mechanisms for violating human rights Therefore a group dedicated to the protection of the civil rights of the people was necessary and this group had to maintain a crime audit of the state But Koyyuru inverts the earlier stand

According to Kannabiran (March 20-27) an intervention on the part of the APCLC leaders was necessary in order to prevent the state from inflicting large scale violence in the process of securing the release of the hostages If so, then who were the APCLC going to have talks with? Which party needed to be persuaded against precipitating the situation, the government or the Naxalites? The APCLC chose the latter When the APCLC believes that the PWG is a political organisation and not a bunch of mindless mercenaries, and that "the government's utter disregard for the Constitution and failure to perform its fundamental obligations have been largely responsible for the spread of the Naxalite movement in the state", the least the leaders of the APCLC could have done is to press the government to hold political talks with the PWG When the government has utter disregard for the judicial process and adopts extra judicial methods to deal with a political problem like Naxalism, kidnaps could at worst be termed as counter offensive Who knows better than the APCLC about the police and paramilitary atrocities on the Naxalites—the fake encounters, the torture, the lock up deaths, the rapes, the razing down of entire villages, etc? And a man pushed to the brink is a desperate and violent man Given all this, it is only fair to bring pressure on the government

Kannabiran does not throw light on what Koyyuru signals loud and clear the contradictions within the government, which was clearly exposed While in the earlier kidnapping cases like Gurthedi and of Sudhir Kumar, the state administration moved heaven and earth in the case of Balaraju a tribal MLA of the ruling party itself, the government showed no concern The resignations rendered by some ruling party MPs and MLAs, the dharnas and the general unrest in Koyyuru and Narsipatnam show not only the tribal resentment towards the government's inaction but also the contradictions within the ruling party In persuading the people to withdraw these protests, the APCLC did a world of good to the government by removing the pressure which the people had put on it It would seem that the high priests of the APCLC were acting on the government's behalf

The government could only hope that the PWG dalam would kill Balaraju, which would turn the tide against the PWG But that was not to be The Naxalites proved that their concern for tribals is greater than the government's concern' by releasing Balaraju and others unharmed even before Ranadev could be set free by the government When one looks into the history of PWG kidnappings, only two persons—Malahar Rao, a Mandal parishat president and Sankariah, a MLA, were killed after being kidnapped All other hostages have been released unharmed Persons, especially from the backward classes, have been released even when the government has not accepted the demands of the PWG

Ranadev's release by the government cannot be attributed to such innocent reasons as the 'Rayalseema ethic' of Vijayabhaskara Reddy, as Kannabiran naively believes The CM realised that his last chance to refurbish his party's image before the Panyam by-election and preserve that last shred of his torn image among the tribals was by releasing Ranadev Moreover, owing to the keen interest and urgency the government will have to show in the case of a future kidnap of any important person from the ruling class, care was taken by Vijayabhaskara Reddy in order not to set the 'wrong' precedent of not releasing Ranadev Surely, such scheming tactics cannot be owed to ethic What happened to ethic when Ranadev's voice on the AIR broadcast was mimicked? It was indeed shocking to see that the APCLC did not condemn the violation of Ranadev's rights as a prisoner Nor does Kannabiran mention the other cases that were hurriedly foisted on Ranadev even while bail applications were being moved in Maharashtra and Warangal Besides calling Vyas a 'well known police officer', the article, like the AIR broadcast of Ranadev's voice, misrepresented Ramanna's intentions

There has been debate within the APCLC for sometime on whether it should maintain the crime audit of only the state or of both the state and other organisations like the PWG The latter has prevailed over the past one year One can only hope that the APCLC does not go a step further to maintain the crime audit of only the PWG and acquit the government of all its crimes

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ECONOMIC AND POLITICAL WEEKLY

At the Cost of Development

IT was good to see finance minister Manmohan Singh, in his speech at the annual session of the Confederation of Indian Industry (CII), raising some issues of long-term economic growth which have so far remained neglected in the enthusiasm for structural adjustment and economic liberalisation. Manmohan Singh outlined some of the major tasks facing the economy and emphasised the special responsibility cast on private industry and trade which, as he pointed out, are enjoying the gains of liberalisation and privatisation.

The issues raised by the finance minister are undoubtedly of great importance to the long-term development of the economy. For instance, he underscored that the country would not be able to meet the investment requirements of annual economic growth of 5 per cent unless the saving rate was substantially raised. The current saving rate of 20 to 22 per cent compared poorly with the rates of 30 to 35 per cent achieved by countries which have recorded impressive rates of economic growth. It is interesting to hear this piece of conventional wisdom from the finance minister since the cheer-leaders of the so-called economic reform have been telling us that what is needed is not more saving but better use of saving through improved capital-output ratios. The corporate saving rate specifically has been abysmally low in this country and so the finance minister's reminder to businessmen to generate internal resources in larger measure was very much in order. The corporate sector likewise has a pivotal role in boosting exports. Large industries have been generally net users of foreign exchange, while the major effort in expansion of exports in recent years has come from small and medium entrepreneurs. Third, the finance minister told his audience that his ministry's studies had confirmed the fact of large-scale evasion of both direct and indirect taxes. If tax compliance were better, there would be no need for constant tinkering with tax rates and there would be a stable tax regime. Fourth, the finance minister asked private industry to moderate its preoccupation with short-term gains and invest in areas such as research and development for long-term benefits. Fifth, the corporate sector was asked to help rural development by initiating the use of modern technology in agriculture and water harnessing—as he put it, "whether we like it or not, political power has shifted from the professional middle class to the middle peasantry".

While these issues are important, the question really is how far the structural adjustment policies that the finance minister has initiated and vigorously pursued will contribute to the achievement of these goals. Or will the finance minister's policies in fact take the economy in quite the opposite direction? Taking the domestic saving rate, the present government's entire policy package is directed towards encouraging conspicuous and unproductive consumption. Sharp reductions in import and excise duties, special encouragement of production of consumer durables, even with foreign investment, and liberalised import of gold and silver cannot but inflate overall consumption in the economy. The finance minister possibly entertains misgivings on this score himself, which is perhaps why his exhortation to captains of industry to generate more corporate savings. There is now enormous scope for the corporate sector to enlarge plough-back of its profits because the government has over the years drastically reduced the incidence of corporate taxation. Tax provision as percentage of profit before tax has now come down to about 26 per cent from over 45 per cent only four or five years back. This has, of course, meant massive loss of tax revenue to the government and yet the savings of the corporate sector have not risen beyond a miniscule 0.5 per cent of GDP. And despite the finance minister's appeals, they are unlikely to show much improvement, partly because the high interest rates dictated by the government's monetarist policies are eroding corporate sector surpluses, but more importantly because overall corporate profitability is conditioned by the narrowness of the domestic market—something for which the reform zealots have no eyes or ears. The economic reform and structural adjustment policies are in fact likely to further worsen disparities all round—regional, rural/urban and inter-personal—and in the process further narrow the demand base for a wide variety of industrial goods in the economy. Certainly, it would be futile to expect the private sector to generate sufficient industrial employment to make a worthwhile contribution to widening the economy's demand base. There is, therefore, nothing paradoxical about the coexistence of high-pitched capital market and financial sector operations with sluggish real sector activity in regard to industrial investment, output and employment.

Likewise, the finance minister's attempt to cajole private industry to help rural development is a sign of helplessness on the part of the government in the face of the severe cuts in rural development programmes. Investment in agriculture and rural infrastructure as also public expenditure on health, education and other social sector activities have all suffered and the resultant damage to the rural economy has been extensive. Manmohan Singh's own three budgets have only served up rhetoric in place of policies and action in regard to rural development.

KASHMIR

Loutish Intervention

EVERY ham-handed action by the government provides its enemies with a handle. The latest instance is the last-minute ban clamped on some pro-secessionist Kashmiri leaders, preventing them from proceeding on Haj pilgrimage. The manner in which it was done is typical of the bureaucratic gaucherie for which India is notorious.

The leaders—Syed Ali Shah Geelani, Maulvi Abbas Ansari and Mian Abdul Qayum—were stopped at the Indira Gandhi international airport just before they were to board their plane. The official explanation given was: these leaders were going to Saudi Arabia to join a Pakistan-sponsored meeting on the Kashmir situation during the pilgrimage there. Going by reports, it seems that home ministry officials had panicked following rumours that Sardar Abdul Qayum, the premier of Pakistan-occupied Kashmir (PoK), was planning to hold a meeting on Kashmir in Saudi Arabia during the Haj.

The external affairs ministry appears to have been totally ignorant of the home ministry's fears all these months, during which it went through the usual process of clearing the formalities necessary to allow these Kashmiri leaders to proceed on their pilgrimage. The latter first made the necessary applications through the divisional commissioner in their state as far back as September last year, on the acceptance of which they paid the required amount of money and submitted their passports to the authorities. When they arrived in Delhi on the eve of their departure, they were cleared and were even given the immunisation shots—the final formality necessary for departure. It was only when they were to take their flights on May 5 and 6 from Delhi that they were stopped and unceremoniously told that their passports had been revoked under the Passports Act.

The heavens would not have fallen if these Kashmiri secessionist leaders had met their counterparts from PoK in Jeddah. In any case, they surely do not have to go all the way to Saudi Arabia to establish contacts with people in PoK, their next door neighbours. As for their declared objective—secession from India—they have made no bones about it, and their reiteration of it, made whether in Srinagar or Jeddah, would have made little difference. So, what does New Delhi gain by preventing them from going on their pilgrimage?

The only likely fall-out from the bureaucratic bungling of the entire situation is yet another nail in the coffin of India's much advertised commitment to secularism. Quite predictably, immediately after they were prevented from proceeding on their pilgrimage, one of the Kashmiri leaders, Maulvi Abbas Ansari, said: "It is interference in our religious affairs by a country claiming to be secular". At a press conference in Delhi, soon after the incident, these leaders gave a call for a worldwide protest day by the Muslims on May 14. By its loutish intervention in a delicate situation, the government has simply helped in communalising the entire issue, both in India and abroad.

The Organisation of Islamic Countries (OIC) has already threatened to impose restrictions on scientific, cultural, manpower and other exchanges with India in protest against New Delhi's policy on Kashmir. The latest action by New Delhi (in preventing some Muslim leaders from going on Haj) will further help the 'hawks' in the OIC to mount an international campaign against New Delhi, which is already reeling under the aftermath of the Babri Masjid demolition—a scandal that has almost demolished India's secular credentials before world public opinion

EXCHANGE RESERVES

Exaggerated Claims

THE government has been patting itself on the back over the rise in the level of the country's foreign exchange reserves in the last few weeks. Foreign currency assets plus special drawing rights (SDRs), which were the equivalent of $ 5,278 million at the end of February, had gone up to $ 7,027 million by the end of April, a rise of $ 1,749 million in just two months, $ 1,467 million of which came in March (between February 26 and April 2) and $ 723 million in the week ended April 2.

Official spokespersons have missed no opportunity to attribute the growth of foreign exchange reserves to the success of the government's liberalisation policies, particularly the unification of the exchange rate from the beginning of March. Replying to the debate on the 1993-94 budget in the Lok Sabha, the finance minister claimed that "foreign exchange reserves had touched $ 7 billion, the highest in 20 years, with only $ 2.5 billion of it coming from borrowed funds."

Without detailed information on the inward remittances or, alternatively, on the Reserve Bank's sales and purchases of foreign exchange, both for normal transactions and for market intervention, it is not possible to pronounce on the factors leading to the build-up of reserves. But to attribute it entirely to a larger flow of remittances and export receipts in response to the new exchange rate policy is not convincing. In the first place, a sizeable rise in foreign exchange reserves in March has been a regular annual phenomenon, except in 1990 and 1991 which were unusual years. There was thus an addition of $ 1,469 million to reserves in March 1992; and of $ 1,068 million in March 1989. Second, due to the recession in industry, the level of imports has been much lower than anticipated. Against the expectation of an import level of $ 25 billion in 1992-93, actual imports during April-February 1992-93 were only $ 19.95 billion. The cumulative rate of increase of imports (in dollars) was 22 per cent during April-September 1992, but it came down to 13 per cent during April 1992-February 1993. Despite the sluggish growth of exports, if, as the government has been claiming, the Reserve Bank has had to intervene in the market to prevent the rupee from appreciating, the explanation is the recession in the economy. Finally, for all the brave talk about the strength of the rupee, it is well known that the government has sought to regulate the release of foreign exchange to finance bulk imports, such as of petroleum products. This is not to say that there has not been faster repatriation of export proceeds and larger inflow of remittances through official channels. But this is not all a matter of the new exchange rate policy; the depressed state of the economy has contributed significantly to the relatively low premium on foreign currencies in the 'havala' markets.

In the same vein, the contention that borrowings accounted for only $ 2.5 billion out of the total foreign exchange assets of $ 7 billion is questionable. Foreign currency assets rose by $ 3,395 million in 1991-92, from $ 2,236 million to $ 5,631 million, and almost the entire increase was due to special factors like exceptional financing, transactions with the IMF and the India Development Bonds (net of FCNR withdrawals). In 1992-93 there occurred an increase in foreign currency assets of $ 746 million and there has been a further rise of $ 542 million since the end of March, or a rise of $ 1,246 million taken together. Against this, during this period drawals from the IMF alone have aggregated $ 1,631 million. Besides, during April-December 1992, there was an aggregate drawal of $ 625 million of fast disbursing funds ($ 200 as the last tranche of the World Bank's structural adjustment loan, about $ 100 million from the World Bank as safety net loan, $ 150 million from the ADB under financial sector financing, $ 125 million from Japan under hydrocarbon sector loan and about $ 50 million from Germany). It passes comprehension, therefore, how the finance minister could have claimed in parliament—without a single questioning

of the current foreign exchange reserves of $ 7 billion represented borrowed funds.

COMMUNIST CONCLAVE

A Matter of Credentials

A correspondent writes:

THE CPI(M)'s ideological initiative at the international level has naturally attracted attention in Indian political circles. This is perhaps the first occasion that a number of communist parties from different parts of the world, including the three ruling parties of Cuba, Vietnam and North Korea, are getting together to discuss the problems and prospects of Marxism in the light of the collapse of 'actually existing socialism' in the Soviet Union and east European countries. Though professedly only a seminar and not a conference, yet an exchange of opinion even at the academic level need not be entirely fruitless, provided of course the participants have done some honest homework. This, however, is not in evidence as regards the host party. One should not still prejudge the value of the Calcutta exercise, but wait for the papers and documents.

In the domestic sphere, however, the exclusion of the CPI(M)'s two Left Front allies, RSP and Forward Bloc, from the seminar, while including the CPI, has created some problems. The CPI(M) general secretary, H S Surjeet, has justified the exclusion on the ground that the two parties are not 'communist'. They certainly do not flaunt that label in their name, though they claim to profess Marxism, the quintessence of a communist party. If practice, instead of profession, is to be the chief criterion, then the question arises if the CPI(M) or any other credible agency has recently undertaken the job of evaluating the role or the character of the parties actually invited. At least with regard to the CPI on the invitee list, the two excluded Left parties may raise the credible caveat that during the Indira era for years this party served as the miserable tail of the bourgeois government.

According to a press report the Forward Bloc general secretary Chitta Basu, MP, was not even invited to a dinner thrown by the host party in honour of the foreign guests, although the top RSP leader had got the invitation and declined it. Basu, however, jocularly remarked that the only invitation he had received from CPI(M) quarters was from Somnath Chatterjee, MP, in connection with his two grandsons' 'thread' ceremony. This casual revelation, however, raises questions about the communist character of the host party does not have to abjure religion or theistic faith. But the thread ceremony is not a matter of theological faith, but a ritual affirming faith in varna and caste. The CPI(M), which these days has made Swami Vivekananda, the fiery denouncer of the varna and caste system, one of its chief mascots, has someone as one of its chief spokespersons—Chatterjee is the leader of the CPI(M) in the Lok Sabha—who still practises the rituals and flaunts the symbols of caste hierarchy. How Marxist is this Marxist communist party?

THE CAG

Eye for Changing Fashions

DO the audit reports of the Comptroller and Auditor General (CAG) on the finance accounts of the union government and the reports of the test audits of individual ministries and departments have any effect on the management of government finances? Not much, it would appear. The management of government finances has gone steadily downhill even as there has been a steady flow of audit reports highlighting lapses, irregularities and outright fraud. Among recent reports, the one on the finance accounts of the union government (civil) for 1991-92 and the audit of appropriation accounts deserves to be noted.

The auditors are at their best when they concentrate on their areas of professional specialisation, but when they get into examination of the broader economic implications of fiscal operations they are quite often out of their depth. The line between economic and auditing issues, it may be argued, is thin and an auditor cannot be said to have done his job satisfactorily without taking a broader view of fiscal operations. This may be so, but the temptation to pass value judgments based on economic interpretations of fiscal data is best resisted.

A few examples stand out in the CAG's *Report on the Finance and Appropriation Accounts for 1991-92 (No 1 of 1993)*. First, the report attempts to relate fiscal variables such as tax revenue, capital expenditure, debt and fiscal deficit to gross domestic product (GDP)—and that too to GDP at factor cost at current prices instead of GDP at current market prices. Now, what audit lesson is to be derived from the observation that "tax revenue as a percentage of GDP has tended to decline"? Likewise, it is not the fiscal deficit to GDP ratio that is so relevant as the purpose for which the deficit is

for on the part of the CAG in using such economic variables. Secondly, there is a reference in the report to the monetised deficit. Quoting (not altogether accurately) the report of the Committee on the Monetary System to the effect that "an unambiguous, and economically meaningful measure of the monetary impact of fiscal operations is provided by the change in RBI credit to the central government", the CAG cites figures from the Reserve Bank's *Annual Report* as indicating a sharp fall in the monetised deficit in 1991-92. The logic of this fall, attributable to the stabilisation programme associated with the IMF's stand-by loan, is not beyond question. Likewise, the use of the gross fiscal deficit concept began after the IMF programme of fiscal compression had been accepted by the government. The CAG, who had made no reference to the concept till two years ago, now faithfully echoes the IMF/World Bank view that the gross fiscal deficit is "an index of overall financial market disequilibrium caused by the fiscal (borrowing) operations of the government". Some years back the CAG's reports had unquestioningly accepted the goals set out in the then government's Long-Term Fiscal Policy (LTFP) statement. Quoting the LTFP, the CAG used to argue till last year that prudent fiscal management demanded that revenue receipts should not only meet revenue expenditure but also leave a surplus for financing the Five-Year Plans. In its report for 1990-91, the CAG had taken the government to task because the revenue deficit had turned out to be Rs 18,561 crore compared to the Ninth Finance Commission's projection of Rs 14,500 crore for the year. In the latest report, however, there is no reference to the revenue deficit at all. It is a different tune now. Following the IMF/World Bank formulation, the CAG is at pains to point out how the rising fiscal deficit had resulted in growing internal and external indebtedness which constituted 67 per cent of GDP with the interest burden amounting to 4.9 per cent of GDP and 23 per cent of revenue expenditure in 1991-92. Such eagerness to adjust its sails to the prevailing winds does not go to enhance confidence in the CAG's objectivity and independence.

This is not to belittle the importance of the CAG's reports which provide interesting data and critical reviews of many aspects of government finances. For instance, the section in the report under dicussion on government investments in government companies and corporations and the returns on them is quite revealing. It is pointed out that the return of around 0.92 per cent from 239 statutory

corporations and public sector undertakings accounting for a substantial government investment of Rs 40,121 crore has to be viewed against the government's average borrowing rate of 10.2 per cent in 1991-92. No dividend was received from 187 public sector undertakings in which Rs 36,189 crore were invested up to 1991-92. The picture would have been more complete if the report had also provided information on the interest received from PSUs and other undertakings on the debt capital supplied by the government.

Another piece of useful information in the report relates to the valuation of external debt. The budgetary documents present the rupee value of external debt at historical rates of exchange. The CAG's report points out that while at historical rates of exchange the outstanding external debt at the end of March 1992 was Rs 36,948 crore, at the current rate of exchange it was no less than Rs 1,09,608 crore, that is, almost three times as large, which measures the additional burden on the budget as a result of the depreciation of the rupee. The outstanding external liabilities at historical rates of exchange as a percentage of GDP at current market prices was 6.1 per cent, whereas at the current rate of exchange the ratio was 18 per cent.

BANGLADESH

World Bank Prescriptions

IN the context of the World Bank's rapidly increasing involvement with the Indian economy, its interference with the pharmaceutical sector in Bangladesh is of significance. As is well known, multilateral aid agencies as well as international bodies including the World Health Organisation have been tardy in giving due recognition to the country's innovative and radical drug policy. Their never-say-die attitude has given rise to tremendous pressure being put on the government to 'liberalise' the policy. A telling instance was when, following the cyclonic storm which devastated part of the country, aid agencies pleaded with the government to open some doors for easier import of drugs without which medicinal supplies could not be sent into the country. To its credit the newly-installed government refused to give in, subjecting all medical aid to the same rules as imports of ordinary times.

This stringency has, not surprisingly, annoyed agencies like the World Bank which has been pushing for deregulation of the drug industry. In June last for instance, the World Bank resident mission in Bangladesh sent a detailed note to the government on the changes it sought. These included mainly the removing of restrictions on import of raw materials, controls on prices of drugs and restrictions on the operations of foreign firms.

Most importantly, the World Bank wants the block list system for import of raw materials to go. This was introduced to restrict import of raw materials and to put some control on the practice of transfer pricing, as also to ensure that competitively priced products approved internationally are brought into the country and to avoid dumping of sub-standard high-priced chemicals and intermediates. If the block system were to go it would mean that the very basis of the drug policy is dismantled and pharmaceutical MNCs would reign supreme once again.

According to the Bank the pricing policy "hurts those firms which spend money on quality assurance and maintain good manufacturing practices". Prices, it feels, should be determined by "competitive market forces". Interestingly however, factors like quality control and good manufacturing practice are built into the pricing policy in which mark-up is determined on the basis of level of technology and aseptic requirement and not on the essentiality or otherwise of a drug. Drugs which require simple repacking have a low mark-up while those which need total aseptic facilities for manufacture are allowed the maximum mark-up. Further, companies which have better quality control and follow good manufacturing practice are allowed an added mark-up of 10 per cent on all products on the grounds that these require special inputs.

It is not only the pricing policy which bothers the World Bank. Its note also pleaded for fewer restrictions on advertising and promotion and on the product range allowed to foreign firms. Interestingly though, the drug policy puts no restrictions on advertising other than that all materials should be submitted to the drug controller. Why such controls should "infringe the autonomy of firms and their marketing strategy", if they were ethical, is hard to understand. Similarly, the only two items which the foreign firms are not allowed to manufacture are antacids and oral vitamins which require very simple technology, on the ground that foreign firms are capable of manufacturing more sophisticated items and the quality assurance they are capable of must be put to better use than to manufacture these products. This has of course meant that foreign firms have not been able to push low priority products. Clearly the World Bank's interest is in the financial health of the foreign sector rather than in removing discrepancies in the Bangladesh government's drug policy.

TWENTY YEARS AGO

EPW, May 5, 1973

In well-bred parliamentary democracies the judiciary, like Caesar's wife, is expected to be above suspicion—indeed above everything except discussion of the most polite sort. But accidents happen even in societies of impeccable pedigrees. One seems to have just happened in our own. In the aftermath of the government's decision to supersede three judges of the Supreme Court in appointing the new chief justice, some of the things which have been said by those on either side of the argument will hardly enhance the dignity and majesty of the judiciary.

One of the three judges who have resigned from the Supreme Court in protest against their supersession has accused the prime minister of having worked for his removal from the court. The prime minister, he told a press conference on Tuesday, had been 'greatly piqued' by his judgment in her election appeal and, ever since, her 'agents' had been busy trying to build up a case against him. His speeches in parliament were scrutinised, possibly his telephone was bugged, and a watch was kept on his movements. Turning to the effect of the government's actions on the 'independence of the judiciary', the learned judge disclosed that "we have already several judges who take pride in notifying to the government their qualifications for being considered as 'committed judges' ". The number of such judges was bound to increase in the years to come, he added.

If this be an insider's view of the judiciary and of the level at which relations are conducted between the executive and the judiciary, then the picture that emerges must shock those who have taken their Jennings and Bryce to heart. They may, nevertheless, take some satisfaction from the manner in which the legal profession throughout the country has responded to the government's action. With but few exceptions, members of the bar—from former attorney-generals and over-worked doyens of the profession to briefless practitioners in mofussil courts—appear to be agreed that grievous damage has been done to the status of the judiciary and, through that, to the very basis of the political system, by the manner of appointment of the new chief justice of the Supreme Court. However, even the protest of the profession has been rather less than full-blooded. For, apart from the three affected judges, not a single judge of the Supreme Court or any of the high courts, not to mention any one from the lower rungs of the judiciary, has felt moved to press the point by resigning his job. Resignations by those directly affected—they do it all the time in the army—are not very effective in establishing high moral principles.

When it is all over, one may be sure, everyone on both sides will agree that it was a great fight for a noble cause. As the minister for steel, Mohan Kumaramangalam, told the Lok Sabha on Wednesday, the appointment of the new chief justice "will be a landmark in our judicial history in that it has opened up a debate on the rightness or otherwise of the convention [of appointment by seniority] and uncovered the reasons which must move the government in making appointments of this kind".

Jindal Iron and Steel

JINDAL group's Jindal Iron and Steel Company has chalked up an expansion programme and besides plans for investment in other group companies' expansion programme. The proposals as appraised by ICICI are to entail investment of funds of Rs 250 crore, which the company is meeting with a rights-cum-public issue of zero interest fully convertible debentures of Rs 100 each and further with institutional term loans of Rs 15 crore. In addition to the ICICI, SBI Caps, IDBI, Kotak Mahindra and Credit Capital are the lead managers of the issue which is opening on May 10. The public is being offered 1.05 crore FCDs and 27 lakh FCDs are reserved for NRIs. Following this issue, the stake of the promoters (P R Jindal and S Jindal) in the company will stand reduced from 52 per cent to 31 per cent. The debentures issued to the public will be converted into Rs 10 equity shares at a premium of Rs 90 per share and those issued as rights to the shareholders at a premium of Rs 50 per share. The company as it was incorporated in the year 1972 had belonged to the Piramal group. Jindals took it over in 1983 by acquiring a 40 per cent controlling interest for a consideration of Rs 45 lakh. Jindal group now comprises, other than Jindal Iron and Steel, Jindal Strips, Jindal Ferro Alloys, Saw Pipes and Shalimar Paints. Jindal Iron is expanding its steel division's capacity at Tarapur from 1,50,000 tonnes per annum to 3,00,000 tonnes per annum of steel slabs with a matching increase in the capacity of the hot rolling division from 1,50,000 tonnes per annum to 2,80,000 tonnes per annum of coils and plates. In addition, the company is enhancing cold rolling facilities from 20,000 tonnes per annum to 50,000 tonnes per annum. The expansion is expected to be completed by November 1994 and it is to be in production by March 1995.

Aarti Drugs

Aarti Drugs of the Alchemie group of Chandrakant Gogri and Rajendra Gogri is undertaking a programme of expansion together with backward integration at a cost which ICICI has estimated at Rs 12.50 crore. The sources of finance include promoters' contribution to share capital of Rs 2.40 crore, public issue of Rs 3.40 crore, internal accruals of Rs 1.60 crore, rupee loan of Rs 3.15 crore, lease finance of Rs 1.75 crore and capital subsidy of Rs 20 lakh. The share capital funds cover premium amount, as the company is issuing equity shares of Rs 10 at a premium of Rs 30 per share. It is coming into the market on May 12 with an offer of 8.50 lakh shares to the public with ICICI acting as the lead manager of the issue. The company's plant is located at MIDC estate at Tarapur and the expansion proposed covers increase in the manufacturing capacity of MNI from 300 tonnes per annum to 960 tonnes per annum, of MTZ from 96 tonnes per annum to 200 tonnes per annum, of TNZ from 84 tonnes per annum to 200 tonnes per annum and of DMZ from 90 tonnes per annum to 240 tonnes per annum. Since demand for the anti-diarrhoeal drugs, MTZ and TNZ, is seasonal, it is proposed to export these during the off-season period from November to February. It is also proposed to manufacture 1,200 tonnes per annum of glyoxal and 10,000 tonnes of ammonium sulphate, the former for captive consumption in manufacture of other drugs. Both raw material and plant and machinery are being sourced indigenously. Commercial production is expected in January next. Capacity utilisation to start with will be 67 per cent, rising in 1995-96 to 75 per cent and in 1996-97 to 83 per cent. Corresponding figures of sales are Rs 9.98 crore, Rs 26.58 crore and Rs 28.48 crore. Net profit is placed for the three years respectively at Rs 1.04 crore, Rs 3.16 crore and Rs 4.90 crore, with the EPS to work out to Rs 4.90, Rs 7.40 and Rs 10.

Blue Blends Finance

Blue Blends Finance of the Arya group is to grow out of being a subsidiary of Blue Blends (India) and is to become, by issuing to the public on May 12, 34 lakh equity shares out of an issue of 50 lakh shares of Rs 10 each at a premium of Rs 10 per share, a publicly held listed company. The Arya group has business interests in textiles, dyes and intermediates and household products. Blue Blends Finance started off on incorporation in the year 1985 with portfolio management and took up subsequently the business of inter-corporate deposits, investing the funds raised in group companies (Blue Blends Petrochemicals and Premier Synthetics) and lending the same to other companies. It reported for the year 1991-92 a net profit of Rs 29.71 lakh earned on gross income of Rs 1.19 crore. By going public it is to farm out operations and broadbase activity. Bank of Baroda, having appraised the company's proposals, has estimated requirement of Rs 59.61 crore of funds till the year 1995-96. Provision of this is proposed by the company with issue of share capital at a premium to aggregate Rs 10 crore (promoters contributing Rs 1.51 crore), internal accruals of Rs 19.61 crore and borrowings of Rs 30 crore. Lease and hire purchase finance is one proposal of fresh business, while the company is to engage itself in portfolio management and providing financial consultancy. It has applied to the SEBI for registering itself as category I merchant banker. The company is issuing 50 lakh equity shares of Rs 10 each at Rs 10 premium following which the issued share capital will go up from Rs 1.98 crore to Rs 6.96 crore. It is offering 34 lakh shares to the public on May 12 under BoB and Canara Bank as lead managers. The Rs 10 premium on the share capital issue is justified by the company by the equity's book value and EPS respectively of Rs 17.43 and Rs 7.28 on the basis of the working for the first six months (April to September) of the year 1992-93.

Core Organics

Core Organics, a joint sector company promoted by PSIDC with ex-NRI technocrat, Avtar Singh, is setting up a petro-based import substitution chemical project in Industrial F Point, Derabassi, on the Chandigarh-Delhi highway, for the manufacture of benzaldehyde (700 tpa), benzyl alcohol (150 tpa), benzyl acetate (150 tpa), sodium benzoate (150 tpa) and hydrochloric acid (4,500 tpa) The products to be manufactured by the company are vital raw materials for bulk drugs, pesticides, dyestuffs, perfumery, etc. The present demand of the company's main product, benzaldehyde, is estimated to be around 2,200 tonnes per annum and around 700 tonnes per annum is presently being imported. The company has the distinct advantage of being located within 15 kms from the major consumers of benzaldehyde like Alpha Drugs India, Rallis India and Altus Organics. The company's project is in an advanced stage of implementation and commercial production is slated for September this year. The Pollution Control Board and Site Appraisal Committee, etc, have cleared the project and PSEB has also sanctioned a power construction of 250 KW. The project has been appraised by IDBI for Rs 560 lakh and it has also sanctioned a term loan of Rs 235 lakh. To part finance the project, the company will be entering the capital market shortly with 15,20,000 equity shares of Rs 10 each at par, for which necessary clearance has already been obtained from regulatory authorities.

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STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 24-4-93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	234.1	0.7	6.7	0.7	9.8	13.7	10.3	7.5
Primary Articles	32.3	234.0	0.7	3.8	0.7	7.3	18.1	13.0	2.2
Food Articles	17.4	272.4	1.3	6.0	1.3	12.3	20.2	11.8	1.2
Non-food Articles	10.1	223.3	−0.7	−0.4	−0.7	−0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	246.0	0.4	15.2	0.4	14.1	13.2	12.3	3.6
Manufactured Products	57.0	231.9	0.7	6.7	0.7	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992	Variation (per cent) Over Last Month	Over Last Year	Over March 1992	1991-92	1990-91	1989-90	1988-89
Industrial Workers	1982 = 100	243[3]	0.4	6.1	6.1	13.5	11.2	6.5	9.1
Urban Non-Manual Employees	1984-85 = 100	205[11]	—	9.6	6.8	13.5	11.0	6.9	8.2
Agricultural Labourers	July 60 to June 61 = 100	1,058[2]	−0.8	1.9	1.1	19.3	7.5	3.2	11.4

Money and Banking	Unit	Latest Fortnight (16-4-93)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,76,722	14,827 (4.1)	51,108 (15.7)	15,322 (4.2)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,82,229	9,695	17,679	7,661	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,21,124	5,796	26,146	5,670	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	24,192	2,353	5,085	856	6,155	10,098	1,915	−149
Deposits of Scheduled Commercial Banks	Rs crore	2,74,995	7,848 (2.9)	40,004 (17.0)	7,848 (2.9)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,56,593	5,539 (3.7)	24,427 (18.5)	5,539 (3.7)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 30-4-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	21,990	3,004	7,350	1,794	5,385	10,223	−1,383	−795
	US $ mn	7,027	1,005	1,391	560	746	3,383	−1,137	−854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Oct 92)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	208.3	204.7 (3.0)	198.7 (−0.9)	0.1	8.5	8.6	8.7	7.3
Mining and Quarrying	11.5	215.4	207.7 (3.5)	200.6 (−1.0)	0.8	4.9	6.3	7.9	3.8
Manufacturing	77.1	196.8	195.0 (2.2)	190.8 (−2.4)	−1.4	9.1	8.6	8.7	7.9
Electricity	11.4	278.4	261.7 (4.5)	250.5 (7.9)	8.3	8.7	10.8	9.5	7.7
Basic Industries	39.4		. .	. .	. .	3.8	5.4	9.9	5.6
Capital Goods Industries	16.4	. .	. .	. .	. .	17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5	. .	. .	. .	. .	6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6	. .	. .	. .	. .	10.4	6.3	4.2	6.5
Durable Goods	2.6	. .	. .	. .	. .	14.8	1.7	12.0	7.8
Non-Durable Goods	21.0	. .	. .	. .	. .	9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (Dec 92)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989-90	1988-89	1987-88
Export	Rs crore	4,192	37,329	30,795	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,423	47,480	34,403	47,813 (10.7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	−1,231	−10,151	−3,608	−3,835	−10,640	−7,735	−8,003	−6,570
Exchange Rate									

Employment Exchange Statistics	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	537	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore			3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,705	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (−1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. . . Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

Calcutta Diary

AM

The plight overtaking Tomco and Godrej Soaps heralds the first steps in the country's march toward a comprador *future. Other facets of globalisation will also, by and by, reveal themselves—for instance, the choice of India as the next main base for the footloose sex-tourism industry.*

THE swallowing of Tata Oils and Kissan Products by Unilever and of Godrej Soaps by Proctor and Gamble is only the precursor of more exciting events. You cannot enter water and yet be upset by your body getting wet. Globalisation involves a process whereby little integers lose their identity to big integers, otherwise known as transnational corporations. The plight overtaking Tomco and Godrej Soaps heralds the first slightly hesitant steps of the country's march toward a *comprador* future. The hesitancy will disappear once the march gathers momentum: domestic units will get accustomed to being gobbled up by foreign bodies, and the local bourgeoisie will learn to do the pimping for the latter.

Other facets of globalisation will also, by and by, reveal themselves. Consider the following. According to reports, including from the World Health Organisation, the scourge of the acquired immune deficiency syndrome is about to assume epidemic proportions in both Thailand and the Philippines. These two countries were early pioneers. They had opened up their tourist spots for establishing rest and recreation centres for American troops during the epic war of Vietnam. These were also among the countries where military bases, set up by the Americans in the distant fifties and sixties, are yet to be fully dismantled; the principle observed for such dismantlement evidently conforms to the respectable accounting notion of Filo, first-in-last-out. In the circumstances, it is hardly surprising that the human immune deficiency virus was a pretty early arrival in these lands. Once the comprador regimes of both countries sized up the implications of the surcease of the Vietnam war, they were forced to do some quick thinking in order to prevent a drop in their invisible earnings. The outcome was a big push to the sex-spliced service industry, otherwise known as tourism. The sort of recreation American military personnel had a liking for was not that difficult to incorporate into national economic planning. Since earning dollars and other precious foreign currency was reckoned as the principal objective of existence, it was easy to construct a general model of economic growth where tourism filled the role of a major determinant. It was a model of an open system, in which getting rich was child's play: all you needed to do was to turn your girls into whores and your boys into their pimps. The whorehouses that were set up could be called by fancy different names: massage parlours, temples of health, Turkish delights, sauna fountains, what-have-you. Cash-rich tourists, bent on having a bit of fun with exotic oriental girls, would flock from Germany and the United States, Scandinavia and West Asia, even from stodgy Japan. Soon, tourism would be either country's principal foreign exchange earner. Other developments followed. Given the juicy nature of the business, local entrepreneurs were bought up by international cartels, which knew meticulously well how to organise tourist parties from distant lands. The supply and the demand ends of the service industry met; the cash register simply went berserk.

That these days commercialised sex and AIDS constitute aspects of joint supply was however tended to be overlooked in the beginning. Gnosis had to do some catching up with the realities of life. Sex is fun, but HIV is not, and the saturation campaign for condom culture has been of little avail in either Thailand or the Philippines. Courtesy the international bush telegraph, the news of the HIV epidemic in the two countries has spread like wild fire. A dramatic fall in tourism earnings is now being projected for both countries. The international cartels cannot be blamed if they too move out fast from the contaminated beaches and resorts. In this instance, they propose to follow the precept of a different principle borrowed from the accountancy books: Lifo, last-in-first-out.

At the same time, transnational cartels cannot quite forsake their global responsibilities. Tourists from Europe and America and Japan are prepared to pay through their nose so as to be able to enjoy their quota of safe fun. Maybe the Philippino and Thai girls are testing HIV-positive to such an alarming extent that they have to be crossed out, but since the demand is still very much there, it should be allowed to create its own supply; international market-lovers too must not abdicate the opportunity to preside over this satisfying act of creation.

But it is still not as easy a proposition as you might initially be led to believe. The three Indo-China states, presided over by regimented and extra-puritan communist parties, are to be excluded. China is out of the question for obvious reasons, and so too is North Korea. South Korea had possibilities, but rapid economic growth has proved a deterrent; unlike Chiengmai and Mindanao lasses, South Korean girls cannot be bought at starvation wages any more. Lurid stories have of course been carried in that London rag, *Asian Babes*, about the doings of expatriate South Asian girls. Such Islamic countries as Malaysia, Indonesia, Bangladesh and Pakistan nonetheless remain intensely conservative, some of them have also of late been afflicted by a touch of fundamentalism; so better forget about them too. Singapore, anaesthetised by the authoritarian People's Action Party, would belong to the same category. And Burma, or Myanmar, continues to be a closed, dark territory.

So what is to be done? International cartels may occasionally find themselves in a state of near-despair, but they do not easily give up. Through a process of elimination, they have reached a final list of countries they intend to target: Sri Lanka, Nepal and India. The list is currently being worked over. Sri Lanka has several other charms; unfortunately, she has a low security rating. Till as long as the Sinhala-Tamil imbroglio is not satisfactorily resolved, she too will remain a question mark. Nepal has a couple of cosy side attractions such as plenty of marijuana and her association in the mind's eye with the legendary Shangrila. But she happens to be a land-locked country, and communication with the rest of the world is not always without hiccups. No such reservations need be entertained with respect to India though. She is served excellently by international air connections, she has several first rate ports; she has a huge population, and can ensure an infinitely elastic supply of young girls, which prospect will also be helped by the fact that the country is characterised by large-scale hunger and economic deprivation. Such conditions weaken the psychological resistance to participation in the entertainment trade.

There are two additional objective circumstances facilitating the choice of India as the next main base for the footloose sex-tourism industry. The drastic economic reforms introduced some two years ago have not helped India to raise her export earnings, but her imports have bulged; the balance of trade looks more and more precarious with every day. What makes the conditions worse, invisible

earnings, mostly via remittances from migrants in West Asia, have also levelled off. India is therefore in dire need of extra earnings of foreign exchange. If neither merchandise trade nor remittances are to be of much help, the most promising alternative source of foreign exchange earnings is the tourism industry. The government of the country means business in this area; it is already committed to treat the problems confronting tourist trade on a war footing. Given the predicament the country is in, it should not be too difficult to persuade those who matter that inhibitions about massage parlours and such like deserve to be discarded like worn-out apparel; if tourists like our women, why, we should feel proud; tourists are our honoured guests, if we have to supply, for the edification of visiting tourists, pubescent damsels from our households, there is nothing derogatory or humiliating about it. After all, this is very much in consonance with India's cultural heritage; the country has had, from times immemorial, the tradition of *devadasis* being offered to the resident-gods in the temples; tourists, who bring in the bounty of foreign exchange, are gods in a new incarnation. Konark-Khajuraho—and the *Kamasutra*—have already clarified notions about what activity was regarded by the gods as their favourite pastime: one should follow the gods.

Every little bit helps. The recent globalisation of our television channels has liberalised the frontiers of the mind; the average Indian householder is learning to shed his hang-ups about open display of undraped female bodies. As a result, prime bodies are an increasingly acceptable concept in the Indian milieu. If the daughters from our households can make a commercial proposition of their prime bodies, conscientious objectors are unlikely to stand in the way for very long. The services of Bombay's celluloid personalities and Doordarshan mcs could be commandeered; they might use their charm to convince parents holding out till now that it is the holiest of patriotic missions for their daughters to earn foreign exchange, in whatever manner, for the country's sake; appropriate quotations from Swami Vivekananda and Mahatma Gandhi and Jawaharlal Nehru and Indira Gandhi could be thrown in in good measure in support of the cause. In the past decades, the slogan has been 'export or perish'; the alternative slogan for Indian girls, in the forthcoming decade, could be 'sell your bodies or perish'. Or perhaps the government may decide to organise a nationwide competition for choosing the best slogan which could help popularise the up-and-coming service industry amongst the female population of this country.

The fact that the veneer of spiritualism notwithstanding, we too are basically a materialist nation will strengthen the cause. During the Second World War, stories were rampant about how a contractor, so as to swing a juicy order from an army major, would not mind throwing in the services of his wife for a couple of nights in the list of allurements offered, the wife was understanding enough to go along; it was, she would convince herself, part of the package deal whereby Goddess Lakshmi would shower blessings upon them. That is how to do the trick: somehow involve gods and goddesses in the formula.

Should the sex tourism industry kindly choose India as its next base, no hitch would arise from the supply side. A residual problem though remains, and that is on the demand side. The demolition job at Ayodhya and the blasts in Bombay could scare off tourists in search of fun, as they have scared off potential investors. But, as the government is fond of saying, it is a temporary situation; once it is satisfactorily proven—that is, proven to our satisfaction—that these nefarious doings, beginning with the initial act of pulling down of the mosque, were engineered by the authorities of a neighbouring country green with envy at the prospect of India's invisible earnings from tourism industry taking off, the clouds of doubt afflicting foreign tourists about to partake the charms of our daughters are bound to be dispelled.

Besides, since in the long run we are all dead, why bother over the thought that ten or fifteen years hence, India would be felled by an AIDS invasion the virulence of which is best left to the imagination? The nexus between sex tourism and HIV infection is a lagged, exponential relationship, inviting the construction of an elegant dynamic model; the higher the earnings from the service industry, the more severe and widespread would be the AIDS menace, with accompanying criss-cross linkages. If there were a Richter-like scale to measure the intensity of the epidemic the virus would cause, it would be in the proximity of 8 or 9. That indeed would be the apotheosis of the free market dream.

Should you think the above narration is an unlikely, hypothetical conjecture, obviously you have no clue of the speed at which globalisation is capable of proceeding. It is a question of discarding the bullock-cart time-scale, and, along with it, the bullock-cart mind-set.

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Understanding Communal Riots in Maharashtra

Gopal Guru

The communal tensions which erupted in Maharashtra following the destruction of the Babri Masjid were characterised by concerted attempts by the Sangh Parivar to draw the dalits into its fold. Events show that the Hindutva forces did not succeed in this task.

THE outbreak of communal riots in Maharashtra following the demolition of Babri Masjid on December 6 stands out for three important reasons. First, after the demolition of the Masjid there was a rising tide of Muslim protest all over the state of course with varying degree of intensity and magnitude; second, it saw the cross-sectional communalisation of the masses to the extent that some began to see in this communalisation the menace of 'Saffron Fascism', and finally, the recent developments in the state also saw the liberal and progressive forces either confused or crestfallen during the first phase of the riots. Three sets of questions arise. First, what were the factors that led the Muslims to protest? Who participated in the protest? What was the social background of the Muslim protesters? Where was the protest registered and in what form? Second, in view of the claim made by the Hindu communal forces that all cross-sections, particularly the dalits of Maharashtra joined them against the Muslims for furthering the Hindu cause it is necessary to examine as to why these Hindutvawadi forces are trying to create an anti-Muslim image of the dalits? How are they doing this? To what extent have these Hindu communal forces succeeded in their plan to fan hostilities between the dalits and the Muslims? In the third set of question an attempt needs to be made to highlight as to how the different social forces respond to the recent communal situation in Maharashtra? What implications this communal situation had on the reorganisation and realignment of forces? These are certain issues that are looked into in the following sections of this report (*The Times of India (TOI)*, December 18, 1992).

Immediately after the demolition of the Babri Masjid it was to be natural that the Muslims would protest. It reflected anger against the central government's studied silence or ambivalence or its inaction to protect the Masjid from the kar sevaks. This already injured feeling of Muslims is reported to have been further aggravated by the Allahabad High Court's decision which allowed the 'darshan' of the counterfeit idol at Ayodhya. The Muslims seem to have taken this permission for darshan as an act legitimising the vandalism of December 6.

The Muslim protest whether in Bombay or elsewhere in Maharashtra found expression prominently among groups like the hawkers, vendors, petty shopkeepers and even the construction labour at some places such as Balapur in Akola district in Vidarbha. However, the elite section of Muslim society were disturbed by the demolition and expressed their anger privately against the forces involved in the demolition. Interestingly this protest was a very categorical and militant anti-state expression among the Muslim women at some places in the state. Muslim women joined in the protest against the state's inability to prevent the kar sevaks from knocking down the mosque in the streets of Kamthee in Nagpur. These women who had come out in the streets even during the curfew period were reported to have refused to go inside their houses and instead told the police that they are prepared to take on any situation.

Similarly, Muslim women from the Magarmach colony (a Muslim-dominated area) in Sangli were found protesting against the police as a result of which some of them were arrested and later released. This reaction of Muslim women against the demolition of the mosque, however, seems to have been compounded by the atrocities that the police are said to have committed on these Muslim women during the Hindu-Muslim riots in Sangli a few months before December. For a similar reason (as reported by Engineer, *EPW*, January 16-23) in Mukund Nagar, Bombay when some Muslim women went to the police station to register their complaints against the discriminatory police behaviour the police opened fire on them injuring one woman seriously. Moreover, some Shiv Senaites attacked these women in the presence of the police.

Muslim women were also seen taking courageous stand against those rioters who tried to confiscate household belongings that had been so laboriously accumulated by these women. However, this was not an universal experience. On the other hand, the involvement of women belonging to some of the front line Hindu communal organisations was aimed at provoking the Hindu men by presenting them with 'bangles' At places, particularly in Bombay Hindu women are said to have prompted some police officers to attack the Muslims.

There are several other factors which have a bearing on the Muslim protest in Maharashtra The protest was largely spontaneous in the sense that it was not directed or influenced by any Muslim communal forces in the state. However, at some places where the Muslims had kept a low profile during the first phase, they were constantly provoked by both the Hindu communal forces and the police. For example, at Maulali Chowk in Solapur a Hindu doctor was reported to have burst crackers after the demolition. This act of the doctor led the Muslims of the area to assert their identity in the street which led to the police firing injuring two people. Similar acts of provocation by the Hindu communalists were evident at Udgir, Basmat, Parli, Beed, Hingoli and Nanded in Marathwada and Akola in Vidarbha. However, at some places like Kolhapur, despite the provocation crackers were burst in the famous Mahalaxmi temple—Muslims maintained a remarkable calm. This was aided by the active and timely intervention of both the Muslim and non-Muslim left and progressive forces from the town.

There are several other important factors that have led to the Muslim reaction.[1] These include, large-scale migration to Bombay, mushrooming of slums, rampant land-grabbing and the wretched life of the slums. Though this reasoning is largely true of Bombay it does not explain communal silence visible at Bhiwandi, Malegaon, Aurangabad and Miraj. Nor the communal tensions that occurred at taluka places particularly in Vidarbha and Marathwada of the rural Maharashtra. As mentioned earlier, during the first phase of the post-Ayodhya developments the taluka places and in some cases big villages were affected by the communal trouble Thus, in Marathwada the communal tensions broke out in Udgir, Osmanabad district, Basmat, Hingoli, Jintur, Nanded (district headquarters) Kandhar, Parli and Beed (district place). In Vidarbha, the problem erupted at Pim-

palgaon raja (taluka Mehakar), Khamgaon, Tunki Bawanbir (Jalgaon Jamod in Buladhana district), at Akot, Balapur, Patur, Karanja (taluka Murtizapur), Barsi Takli and Akola in Akola. Tensions also erupted at Amravati and Nagpur and Pandharkawada in Yeotmal district of Vidarbha.

While communally-prone places such as Malegaon, Bhiwandi and Aurangabad and Miraj were silent due to adequate precaution by the police and more importantly due to the horrifying memories of past riots which still grip the minds of both the communities. But tensions of various kinds like between the Muslim and the state on the one hand and between the Hindus and the Muslim on the other occurred at the taluka places with no history of communalism. This new phenomenon certainly warrants an explanation.

Thus, there could be following factors responsible for this kind of taluka pattern of communal tension. First, these taluka places with a significant percentage of Muslims in the population provided them with some kind of economic security and social power. This was facilitated by the patronage structures that was available during the Muslim rule in Marathwada (for a long period) and Vidarbha (for a brief period), by the petty shop keeping and artisan activities which could flourish at taluka level more easily, and by the fact that Muslims with non-agricultural background had to pursue these activities at taluka place only. In addition Muslim dependence on taluka places particularly in Marathwada region was enhanced by the Muslim migration from the villages to the taluka places during the police action in 1948. Nonetheless, all these above factors led to a Muslim concentration in the taluka places. This significant size of the population together with the economic independence provided Muslims with some sense of security which in turn enabled them to acquire some space for asserting the identity in crisis situation.

Second, taluka places represent the last link in the chain of governmental authority with even the structures of formal political power are located here. Formal political life too is more active and can be articulated in effective ways at the taluka level. Thus, this entire politico-bureaucratic landscape of the taluka provides opportunity for these groups to have their voices heard and protest registered. This is aided again by the impersonal social situation prevailing in the taluka and not in the villages. It is precisely for these reasons the Muslims chose only taluka places to convey their displeasure to the government authorities, to political forces from both within and outside and also the Hindu communal forces. But they did not realise that they were going to acquire this space in the streets at the cost of risking both their lives largely at the hands of the police and of the Hindu communalists and having their property looted by the rioters of all social variety. Like Bombay, here at these places also, out of the total killed in the police firing, 95 per cent were Muslims. Properties of Muslims ranging from the petty pan shop at Basmat in Parbhani to a palatial showroom with costly electrical and luxury goods at Akola were either looted or destroyed. However, a big Hindu jewellery shop at Akola was also not spared by the rioters

Third, it is the taluka places which again provide a sort of canopy for illicit transition in liquor, black marketing in articles like kerosene, forest wood, gambling of various kinds, and illegal operation of video parlour. This kind of doubtful transaction can cause tension emanating from the violation of terms of trade either between protector of law and the breakers of law on the one hand and between the dominant partner ('matka king') and the junior partner in the dubious games. Thus, tensions of the underworld can contribute to the aggravation of communal problems. This was true of the taluka place like Gangakhed in Parbhani district where the junior partners in the gambling game attacked the dominant partner who was a Muslim. While at Patur in Akola district during the recent communal riots tension prevailed between the Muslim kerosene dealers and the police but it did not take any serious turn.

In addition to these three general factors which give a general idea about the taluka pattern of the communal tensions in Maharashtra, there are three more rather isolated but important factors which make the taluka pattern much more disturbing. First, as was reported in the local newspapers and also shared by social activists, in Maharashtra, particularly Marathwada, it was young people from different caste and religious groups who were found participating in the communal riots. These young people roughly between 18-20 age group, by and large, belonged to a lumpen variety which again is the product of the lack of job opportunities either in the form of agro-industrial development or any adequate and sustainable growth of small-scale industries at the taluka level.

However, in Marathwada again, it was not only this lumpen element that was involved in the riots. In some places like Parli and Udgir, college students were involved in attacking the Muslim property. In fact at Udgir, it is said that it was the students of a non-grant local engineering college who provoked the students from a neighbouring Arts college to participate in the riots against the Muslims. The question that needs to be raised here, why did the local students take part in the riots? Is their communalisation related to the frustration which is again related to their marginalisation from these engineering colleges which are run by the local politicians who charge quite exorbitant capitation fees which the local students are not able to pay? Finally, at Beed and Parbhani district, of Marathwada, it is argued that trouble-makers were brought by the Shiv Sena to the taluka places in order to assist the local people in terrorising the Muslims.

Up-till now we have seen that communal riots outside Bombay, by and large, occurred at the taluka places and some of the district places in Marathwada as well as in Vidarbha. Though the villages in Maharashtra remained generally peaceful, in some villages, communal tensions prevailed. For example, in the village called Digrass Mauje in Sangli district of southern Maharashtra, a Muslim darga was damaged by Hindu communalists immediately after December 6. This particular darga was a symbol of the composite culture as it was built by Hindus and the Muslims together some 20 years ago. However, it seems that the demolition of the Babri mosque provided a spark to the tension that was evident in the village. The nature of the tension between the Hindus and the Muslims was political in the sense that out of all the Muslim families in the entire village, the rich Muslim family had sided with one of the non-Muslim panels in the local election which had taken place a few days before the demolition. It seems that the defeated panel engineered the damage to the darga by hiring hooligans from Sangli. However, this particular darga has now ceased to be the symbol of the composite culture that prevailed in Mauje Digrass till the demolition of Idga. Yet at another village also called Kasbe Digrass the Hindus are reported to have not only used provocative language against the Muslims but they also put up a saffron flag on top of the Idga after the Ayodhya demolition.

However, in the Vidarbha region particularly villages in Akot taluka in Akola district the Hindu-Muslim tension of December 6 looks to be the continuation of Hindu-Muslim tension which began in 1986 and 1988. The tension was evident in Pathardi, Lohari and in Akola and Karajgaon in Amravati district. In Karajgaon two Muslim boys were reported to have been killed by caste Hindus. During the recent riots in the state, tension prevailed in Marathwada villages like Pathrud in Majalgaon and Saigaon in Ambejogai in Beed district. But both these villages were tense for reasons other than those found in Vidarbha and southern Maharashtra. It was said that in both these villages the Muslims who were numerically significant tried to protest against the demolition of the mosque at Ayodhya.

Barring these few exceptions, villages in Marathwada were peaceful. It is due to this that there was no reference to the 'razakar phenomenon' which could otherwise have led the Hindus to whip up in an indiscriminate fashion communal passion against the village Muslims and the dalits who were massacred by the caste Hindus during the Marathwada University renaming agitation in 1978 on the ground that the dalits aided the razakars against the Hindus in 1948 in Marathwada.

Winning Dalit Support

This time, these Hindu communalists surprisingly enough were found making confident claim about the communal friendship with the dalits against the Muslims in Maharashtra during the first phase of the recent troubles. Therefore, in view of this Hindu communalist claim, it is essential to raise the question as to why these Hindu communalist forces are trying to win over the dalits against the Muslims. In other words, why are these forces creating enemy image (anti-Muslim) among the dalits of Maharashtra?

Being a political party and an important member of the Sangh Parivar, the BJP's main objective is to weld the Hindus into a political community. This unity is sought by the BJP for fulfilling its ambition of capturing political power in Delhi. Dalits, if mobilised as one political group and in any electoral combination can form a critically important element in the electoral politics of Maharashtra. The Congress in Maharashtra used this dalit factor together with the Muslims successfully from 1967 to 1984. But after 1984 in certain areas like the Akola parliamentary constituency the dalit-Muslim electoral combination came into being and sustained itself through 1989 and 1991 parliamentary elections. This combination posed a serious challenge to both the Congress and the BJP. This was evident in the 1984 by-election of Akola parliamentary seat where the BJP voters at the last moment were asked by their party bosses to save the Congress candidate against a dalit candidate supported by dalits and the Muslims who according to a rough estimate constitute about 35 per cent of the total electorate in the constituency. It is interesting to note that dalit Muslims also constitute about 30 per cent of the total population of Vidarbha (*The Times of India*, January 30).

The BJP believes that this above process can be facilitated among the dalits of Maharashtra at least for three reasons. First, Hindu consciousness is still present in varying degrees among certain subcastes of the dalit community in Maharashtra. Second, there is a criminal lack of intervention on the part of both the left and the dalit forces which could otherwise engage the dalit energies in a project for ensuring human space for all the marginalised sections of all social origins. Finally, the continuous withdrawal of the Indian state from the social spheres and the growing privatisation of the Indian economy might result in dalit frustration which in effect might goad the dalits towards communal forces. But this would not make the task of Hindu communalist absolutely easy for winning over the dalits. The BJP is shrewd enough to realise this. Therefore, for weaning away dalits from the Congress, the BJP and the Sangh Parivar are using the same Congress strategy of co-opting dalits into its opportunity and patronage structures. But for making dalits available for communal purposes the BJP and the entire Sangh Parivar seems to be using a three-prong strategy.

At one level, the Sangh Parivar, as a primary condition of communalisation, is Hinduising the dalits of Maharashtra by either extrapolating the writings of Ambedkar or by raising the bogey of so-called social reform for the dalits (*EPW*, February 16, 1991). At the second level the Sangh Parivar is attempting to create an anti-Muslim feeling among the dalits by once again (mis)using Ambedkar's literature. Finally, it has also used Gobelin tactics for fanning tensions between the dalits and the Muslims in the recent communal troubles.

Of late, there has been a constant attempt on the part of the Hindutva forces to project Ambedkar as anti-Muslim.[2] Was Ambedkar really anti-Muslim and therefore, pro-Hindu as the Hindutvawadi intellectuals seem to be suggesting?[3] It is clear from Ambedkar's writings and speeches that he criticised Muslims at two levels. At the ideological level, Ambedkar criticised certain Islamic practices which did not accord equal status to the lower sections and women from the Muslim community.[4] At the practical level, Ambedkar was also critical of those elite Muslims who were subjugating the dalits to the feudal exploitation of the former.[5] However, it needs to be recognised that Ambedkar also acknowledged the help given by certain elite Muslims who provided social space and also the actual resources in launching the dalit movement in Maharashtra.[6] Thus, Ambedkar does not condemn Islam as such.

Even with regard to the communal riots in Bombay or Solapur in the late 1920s Ambedkar seems to have taken a consistently objective position. For example, during the Hindu-Muslim tension at Solapur in 1928 when the caste Hindus were pressurising the dalits to take the side of the former, Ambedkar advised the dalits not to make common cause with the Hindus against the Muslims.[7] In this connection it is interesting to note that the Solapur Municipal Council was not only annoyed with Ambedkar but it was reported to have passed a resolution condemning Ambedkar.[8] Yet at another place Ambedkar did not hesitate to hold Hindu responsible for spreading anti-Muslim rumours during communal riots.[9] But this is conveniently forgotten by those Hindutvawadi intellectuals who are quoting Ambedkar from the same source.[10] Finally, Ambedkar without any discrimination considered three categories, religious priests, religious fanatics and the educated from both the religions, responsible for creating communal tensions for personal interests.[11]

Hindutvawadi intellectuals further argue that Ambedkar considered Muslims as a separate nation as they practised a separate religion.[12] While it is true that Ambedkar in a rather reluctant mood talked of separate nations for the Muslims, it never was his final position. In fact at the end of his major book on Muslims *Thoughts on Pakistan* he talks of a joint front of the lower orders of all religions.[13] Moreover, Ambedkar true to his radically liberal theoretical stature, could never have viewed the problem of nationalism as one emanating from religion as argued by the Hindu communalists. In fact, he saw the seeds of nationalism as a means of modernising a particular society.[14] For the sake of argument and also for comforting the Hindu communalists let us suppose that Ambedkar advocated separate nation for the Muslims, does that mean he was for Hindu Rashtra? Ambedkar categorically says, "If Hindu Raj does become a reality, it will no doubt be the greatest calamity for this country".[15]

To what extent the Hindu communal forces were able to use Ambedkar for mobilising the dalits against the Muslims in the recent riots in Maharashtra? The inability of the Hindutvawadi forces to win over these Ambedkarwadi dalits in Maharashtra is highlighted by the press reports (*TOI*, January 31). Then what kind of strategy have these Hindu communalists used to pitch dalits against the Muslims during the first phase of the recent riots? In Maharashtra, dalit response to the communal situation from historical time has been of two kinds. One response is out of conviction and the other is out of compulsion. As we shall see in the following section, both the kinds of responses were historically present among the dalits of Maharashtra. In Maharashtra, like chambhars, dhors and mangs, some mahar families particularly from Vidarbha region have been strong proponents of Hindutva. On the questions of protecting Hindutva, these families even crossed swords with Ambedkar. Some mahar families despite their inclination to and efforts towards reform among the dalits nevertheless had a trait of communalism. This was evident in their mobilisation in

which such families projected the Muslims as cruel and the enemy of Hindu religion because they slaughtered the sacred cow.[16] But after the Buddhist conversion led by Ambedkar in 1956 at Nagpur large numbers of dalits particularly from the mahar caste turned away from the practices of Hinduism, while the mangs and chambhars were not so attracted towards Buddhism. However a section of the mahars continue to support the Hindutva forces.[17] Some dalits had gone to Ayodhya and on their return reportedly took anti Muslim posture during the riots. But the number of such dalits was negligible and the involvement insignificant. Therefore, in the recent riots, the Hindu communal forces seem to have used other methods to enlist the support of dalits. For example, in Aurangabad district of Marathwada, the Hindutvawadi forces were found spreading rumours about the large scale involvement of dalits in the Ayodhya vandalism. But contrary to such a claim, a field survey of 22 villages in the same district, conducted by Yuvak Kranti Dal, immediately after December 6 reveals that only one dalit in all these villages had undertaken the journey to Ayodhya, but came back from Manmad realising that he had boarded the wrong train.

Second, Hindutva forces did not give up their attempt of pitching dalits against the Muslims. They chose Nagpur for creating trouble between the dalits and the Muslims. They tried to capitalise on incidents in which the statue of Ambedkar was disfigured and demolished at three places in Nagpur. But the dalits were not provoked. Finally, the Hindutva forces are said to have made another vain attempt to create tensions between the dalits and the Muslims in Maharashtra. Hindu communal forces tried to provoke dalits against the Muslims capitalising on the personal fights between the Muslims and the dalits at Nehru Nagar, Gowandi and Dharavi in Bombay and Jaibhim Nagar at Aurangabad. But this did not succeed.

However dalits did participate in the riots. The following reasons may have been responsible for the dalit involvement. First, the so called dalit involvement in the communal riots, even in the past was more for achieving 'transient' (mundane) interests rather than protecting 'transcendental' (larger ideological) interests. For example, in 1893 communal riots in Bombay, the involvement of mahars and some of the Telugu dalits was influenced by the consideration of loot and not by the cow slaughter issue, which could not have provoked them against the Muslims for the simple reason that the former were beef eaters.[18] Even in the recent riots the dalits joined the rioters of all social variety not for expressing their Ram Bhakti but for looting. Thus, pure lumpenised intention of the dalits was evident when at places like Akola indiscriminate looting of the Hindu and Muslim shops by the dalits was alleged.

Second, in the first phase of riots particularly in Bombay, the electoral prospects seem to have compelled dalit politicians particularly at the local level, to take an anti-Muslim stance in a predominantly Hindu constituency. This was evident in Dharavi area, where a dalit municipal corporator was seen taking an openly anti-Muslim posture. Third, in the recent riots, the sense of social insecurity among the new class of dalits of Bandra in Bombay have led the former to join the 'mahaarti' and meeting convened by the Hindu communalist.

In fact, quite contrary to the expectations of the Hindu communal forces, at number of places, dalits helped Muslims either directly or indirectly. For example, it was reported that at Matunga labour camp, Ghatkopar, Vikroli, Bhandup and Kurla slums, dalits held meetings and warned Hindu communal forces to refrain from creating trouble in these areas. Some dalits are said to have influenced right-minded police and military to maintain law and order which practically meant helping the Muslims. At some places like Bhandup and Chembur dalit families gave shelter to the Muslim families, while at Tulsiwadi area, a dalit woman corporator, late Shanti Baria, laid down her life for communal harmony, a fact acknowledged by Muslim women who demanded 'jannat' (heaven) for Shanti Baria.

Similar reports of direct help to the Muslims have come from Latur district in Marathwada where the dalits are said to have created a physical fence around the Muslim families. This protection by dalits was possible may be because both the communities have numerical dominance in the town. At Akola, dalits of Bhimnagar were also reported to have threatened the Shiv Sena chief Gulabarao Gawande of dire consequences if the Shiv Sena tried to create trouble in Muslim areas like Rameshpura and Gulzarpura situated in close vicinity of Bhimnagar. In some of the villages in Akot taluka of Akola district, dalits were courageous enough to box the ears of some Shiv Sainiks who attempted to attack the Muslims engaged in selling beef in the villages.

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While there was growing communalisation of police all over Maharashtra police personnel particularly from the dalit communities were either impartial or were protecting the riot-affected Muslims in the state. This was evident in Bombay, Bheer, Jalana and Latur districts. This impartiality was acknowledged by a senior Muslim police officer from Bombay, who in his interview with the press (*The Times of India*, January 26) went on record observing that now he was inclined to support the reservation policy which produced impartial personnel in the police force. However, at places, dalit police personnel had to face the wrath of Hindu communal forces who did not like a dalit police giving protection to poor Muslims. For example, a dalit police constable (from a matang community) posted at Udgir was assaulted by the Hindu communalists where he tried to rescue an aged Muslim. At this juncture, it has to be kept in mind that dalits supported Muslims not because they are the natural friends as some forces would have us believe but because of two reasons: One, just out of human concern and secondly, due to the practical need. For example for ensuring regular supply of beef in the villages where dalits can afford only beef. Similarly, in the urban settings where dalits, Muslims as also other Hindus are locked together in wretched slums and are marginalised despite the occasional personal tensions, they have to maintain a minimum solidarity against the threat of eviction and displacement by the interested forces and local authorities. The establishment of Rahiwashi Sanghs in Bombay slums reflects this necessity. However, the dalit leaders from the different political factions, by and large, remained either totally silent or could offer only half-hearted condemnation of the demolition of mosque. Some chose to remain conveniently ambivalent over the issue. These leaders condemned the riots but not the forces subverting the constitution.

Those dalit leaders who participated in the protest against the demolition of mosque, however, appeared to be half-hearted because their participation was a token gesture in the joint venture organised by the secular forces. Both tactically and politically dalit protest should have been like the one which could resemble the mammoth strength demonstrated by dalits against Hindu communalists on the 'Riddles' issue some years ago in Bombay. In fact, dalits of Maharashtra had two solid issues on which Hindu communal forces could be checkmated. One was to enter as third party in the Ayodhya issue and stake a claim to the Buddha Vihar at Ayodhya. And the second was to challenge effectively the controversial control of the Buddha Vihar by the Hindu priests at Gaya. But neither issue was adequately exploited by dalit politicians. Thus, they lost the historical opportunity of intervening in the situation.

Even dalit literary figures particularly from Bombay did not show enough courage to protest against the destruction of an Irani hotel which had provided both space and time for these writers to chalk out their emancipatory programmes and strategies in the past. However, the doyen of dalit literature Baburao Bagul was forthright in his condemnation of the Hindutva vandalism as was evident in his presidential remarks at the second state-level workers' literary conference which was held at Nagpur in the first week of January, where the danger of communalism was also sounded by working class literary figures through many forms. The mainstream Marathi literary meet held at Satara during the same time, however, maintained a studied silence over the demolition issue. The argument advanced by prominent Marathi literary figures was that they did not want to mix literature with politics, but the same so-called neutral literary persons did not fail to elect to the Satara meet a person whose Hindutva inclination was an open secret. In this connection it is interesting to note that the chief of the Shiv Sena enjoys a large following among the Bombay's literary circles (*TOI*, January 23). However the solitary protest efforts of the noted literary figures like Laxman Mane, Pramod Koparde, Hari Narke, Kishor Belkihal and above all Vrinda Karandikar who criticised the insensitivity of the meet on the issue of communal harmony and peace, must be noted.

The Congress response to communal situation was of a mix in the sense that while the state level Congress leadership was at least verbally condemning the BJP, VHP, RSS, Shiv Sena, Bajrang Dal combine for creating a communal frenzy its local level leadership seems to have responded to communal situation in three major ways: One followed the prime minister's argument that the BJP did not keep its promise of offering symbolic kar seva at Ayodhya. The second kind of response from the local congress leaders was utterly callous as it reflected the absence of these Congress leaders from their respective constituencies which were exploding with communal tensions. The third category was found to be more vocal in taking pro-Hindutva position at the local level. This was evident in the Kolhapur zilla parishad where the anti-Muslim feeling among the Congress members was so strong, that these members did not hesitate to hold the Congress responsible for the Muslim appeasement which according to them resulted in the demolition of the mosque (*Maharashtra Times*, January 17); the situation in Bombay was not so different. As reports show, there was a growing fascination in the Congress rank and file for the Hindutva blitzkrieg. A sizeable section of the Congress is believed to have actively assisted the local BJP/Sena workers in managing the maharatis in Bombay. Some Congress leaders who also happen to be the sugar kings in southern Maharashtra could not have been scared by BJP or Sena as they have strong grip over the voters and kept a surprising silence over the demolition by Hindutva forces.

However, Nagnath Naikwadi, true to his secular progressive credentials, mobilised the workers and peasants of Hutatma Kisan Ahir sugar factory, and took out a morcha of more than 10,000 in a small town called Walva in Sangli district. Similarly, in Kolhapur a prominent CPI leader, Govind Pansare, in an intelligent move, solicited the support of local Congress leaders whose very presence in a progressive joint front called 'We Indians' deterred the belligerent Hindu communalists who were out to attack Muslims.

Notes

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1 This report is based on the information which I collected during a field trip to the affected places in Vidarbha, Marathwada and Southern Maharashtra and is confined only to the first phase of riots which seems to have terminated roughly by the end of December 1992.

2 For details please refer to S V Seshadri, p 68; Navalgundkar, p 142; Idate, p 155 in *Vichar Yatra*, a Ambedkar Hedgewar, special issue, Rambai Auti Publications, Pune, 1991.

3 Deshpande S H, *Sawarkar te-BJP*, Rajhans Publication, Pune, 1992, pp 1-12.

4 *Writings and Speeches of Dr Ambedkar*, Government of Maharashtra Publication, Vol 8, p 236.

5 Phadke Y D, *Ambedkaranchi Chalwal*, Shri Vidhya Publication, Pune, 1989, p 139.

6 Zelliot, Eleanor, *Ambedkar and Mahar Movement*, unpublished PhD thesis, submitted to Pennsylvania University, USA, 1969, p 101.

7 Ganveer, Ratnakar, *Ambedkaranche Sfutlekh*, Ratnaprabha Prakashan, Bhusawal, 1981, p 148.

8 Ibid.

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Hindutva's Low-Intensity War against Bombay's Riot Victims

Gurbir Singh

The communal war is far from over in Bombay. Hindutva forces are determined to continue to target the Muslim community and keep the fires burning. Various arms of the state—Bombay Municipal Corporation, the police, the forest department—have established a close nexus with the Shiv Sena and other communal forces to keep up low-intensity attacks on the riot victims.

IN a swift, brutal action on February 18, ten rebuilt tenements of January 1993 riot victims of Jogeshwari's Sitawadi were demolished by officers of the 'K' East Ward of the Bombay Municipal Corporation. This act summarised the severe trial of riot victims all over Bombay faced in their bid to return to normal life. It also showed the widespread network Hindutva forces had developed to keep up a low intensity attack on the minority community.

Jogeshwari (East), off the Western Express Highway, is a major Muslim enclave in Bombay and was the centre of widespread riots and police firings in December 1992 and January this year. The Muslim community, thickly bunched, is concentrated in an elevated area, which is surrounded by Hindu Maharashtrian localities. At the centre of the Muslim enclave is an area called Bandra Plot. It was here that the now famous Radhabai Chawl (actually called Gandhi Chawl) was set afire on the January 6-7 night, probably by some Muslim criminal elements, in which eight members of the Bane family perished. Using this outrage as an excuse, Shiv Sena and other Hindutva fanatics, began the blood bath which engulfed Bombay for the next 10 days.

In Jogeshwari itself, the January riots took a heavy toll. More than 20 people were killed—mostly Muslims—and Muslim houses on the periphery of the enclave were burnt, looted and destroyed. Some Hindu houses on the borders, Meghawadi and Sitawadi particularly, were also destroyed. The day after the Radhabai Chawl incident took place, a joint Shiv Sena-police posse entered the Bandra Plot area and evacuated over 200 Maharashtrian families to a nearby Municipal School, while the BMC sealed the evacuated tenements. Significantly, this was the largest contingent of Hindu refugees which the riot produced, and was the basis of much Shiv Sena politicking, as we will see later.

The Nivara Hakk Suraksha Samiti (NHSS) began riot-relief work in the area from January 14 onwards. Besides reaching immediate necessities to the riot victims, the activists observed that virtually the entire Muslim enclave's population, who had not yet fled to their villages, were 'riot hit' in the sense that severe curfew restrictions and fear of attacks from police and Hindu lumpens had placed them in a virtual state of siege. With ration shops shut, and shopkeepers having fled, supply of fair-price rations became an essential activity.

It was during this period that Nivara activists discovered that the Muslim enclave was also made up of nearly 1,500 Hindu families, or 20 per cent of the population, both Maharashtrians and non-Maharashtrians, most of whom had preferred to remain behind. (In the December riots, however, a few Hindu shops and a police choky in Bandra Plot were burnt.) Investigations also revealed that while sharp clashes between the two communities took place on the borders, there were no mob attacks on Hindu families or property within the Muslim areas. Even in the Radhabai Chawl incident, there was no mob attack. It was a sneaky night raid by obvious criminals, and the police are yet to come out with a coherent picture of the incident. In fact, neighbouring Muslims helped douse the flames on that fateful night.

'Refugee Politics'

This background becomes essential if the Shiv Sena's 'refugee politics' is to be understood. Soon after the 200-odd Maharashtrian Hindu families were 'rescued' by the Shiv Sena activists, led by two corporators—Ravindra Waiker and Rajeshwar Raginwar—a demand was made to the state government by the Shiv Sena that the Hindu families be given accommodation elsewhere in pucca tenements. In the meanwhile, as tensions between the two sides subsided, the odd sight of the Hindu families coming to their houses to clean up and carry out other chores during the day and returning to the Municipal School refugee camp during the night was observed. With appetites whetted for Maharashtra Housing Board flats, appeals that all was safe and that they should return home fell on deaf ears.

It was around mid-February, a month after the riots, that NHSS and other social organisations like YUVA announced programmes for rebuilding houses destroyed during the riots. The state government and the Bombay Municipal Corporation came out with a liberal programme for rehabilitation, whereby reconstruction of riot-destroyed houses were to be given priority, and documentary evidence and other red tape was to be dispensed with. Nivara was the first to begin, and a list of 20 such houses to be reconstructed in Jogeshwari was given to Collector (Suburban), Suresh Salvi, who gave the go-ahead, and promised to intimate the BMC. Being state government land, Jogeshwari fell under his jurisdiction.

The reconstruction work began on February 15, one of the areas where NHSS concentrated was Sitawadi, Banej on the highway as well as on the Hindu-Muslim 'border', the rioting Hindu mobs had razed nearly 15 tenements in this area to the ground. For the same reason, when reconstruction work started, it caught the eye of the authorities. For three days, a variety of officials, highway engineers, BMC officers and Collector's men, tape in hand, measured and examined what was going on. They seemed satisfied that the original plinth area had been maintained as required. However, on February 18, without any notice (a 'stop work' notice under Section 354-A of the BMC Act is essential), a BMC demolition squad from 'K' East Ward came and razed three days of construction to the ground. Nearly a lakh of rupees worth of donations from sensitive citizens and the Times Relief Fund was literally washed into the Jogeshwari nullah. Residents who protested were beaten by the police. NHSS activist Seema Hirani was arrested.

The reaction was also quick and vigorous. By 3 p m, the same day, February 18, a procession led by Nivara of over 500 persons, mostly women from Jogeshwari, shouting against BMC ward officer V B Pawar, occupied the offices of the 'K' East Ward at Andheri. After an hour-long stand off, the police moved in, beat up people and arrested about 80 of the protestors. There was a furore in the press, and senior government officials like the Collector, Suresh Salvi, and the Additional Municipal Commissioner, B M Ambhaikar, seemed genuinely outraged that riot victims' houses were demolished for the second time. Ward officer V B Pawar was hauled up and orders for his transfer were issued.

V B Pawar called a meeting with 'Nivara' on February 22 to sort out the tangle. That was when the story rolled out. Even as the meeting was proceeding in the ward office, and Pawar was giving assurances that the construction could begin, suddenly Jogeshwari corporators—led by Shiv Sena

corporators Ravi Waiker and Rajeshwar Raginwar (also present were Congress(I) corporators Baba Singh and Noor Jehan Khan)—stormed in and demanded that no permission be given to Muslim houses to be reconstructed till the matter of giving alternative flats to the 200 Hindu refugee families was settled. Nivara activists said the two issues should not be linked, and that the corporators could not sit in a meeting in which they had not been invited.

But it became obvious they *had* been invited by V B Pawar himself. And with the intention to disrupt the meeting. Ultimately Pawar not only insisted that the corporators had a right to sit in the meeting, but turned around and refused to allow the Sitawadi reconstruction to go ahead.

Meanwhile, information pieced together revealed that all the five corporators of the area, three Shiv Sena and two Congress(I) had joined hands, together with Ramesh Dubey, former minister and MLA, to register a formal complaint demanding the demolition of the reconstructed houses. Ramesh Dubey and the Sena corporator Ravindra Waiker had a particularly notorious role during the riots, and dozens of Muslims in the area had signed statements claiming having seen them personally leading the attacking mobs. In this drama, Noor Jehan Khan, Congress(I) corporator of the Bandra Plot area had at first refused to sign the demand for demolition, but finally bowed to the pressure of Dubey. Having colluded with the corporators in demolishing the houses, V B Pawar demanded that they in turn defend him. Thus the spectacle created on February 20, followed up thereafter with a letter signed by the corporators supporting V B Pawar and demanding cancellation of his transfer order.

To sort out the continuing tangle—by now the BMC had prevented other destroyed houses from being rebuilt in Jogeshwari and other areas—a high level meeting chaired by Satish Tripathi, secretary (Rehabilitation), government of Maharashtra was called on February 23, which included the various relief organisations, Shiv Sena and BMC and government officials. After much acrimonious debate, it was agreed that all riot-destroyed and damaged houses would be allowed to be reconstructed without *formal* permission, but after the BMC inspected the area to ensure that the original plinth area was maintained . Minutes of this meeting were to be circulated to all BMC wards to ensure speedy rehabilitation of the riot-hit in other areas too. With this small victory in hand the demolished tenements of Sitawadi were again constructed.

Sky for a Roof

However, not very far away, at Etbhatti, Goregaon, again off the Western Express Highway, a few days later, the BMC enacted a similar drama. On January 11 night, a Hindu mob, 'spiritually charged after a 'maha-aarti' had set fire to the waste and cardboard godowns situated in the Etbhatti market. Though both of these are owned by Muslims, the 'basti' behind the godowns sheltered both Hindus and Muslims. And as fire does not recognise religion, it spread out and burnt the houses of both communities, 'Nivara' thus began work for the reconstruction of nearly 25 houses mostly of Hindus in this Etbhatti area from the third week of February.

The Bombay Municipal Corporation (BMC) of course was not far behind. Reportedly acting on a complaint of the Shiv Sena corporator of the area, Sudha Churi, the ward officer of 'P' South Ward, Hankare, issued a 'stop work' notice on March 1, and despatched a demolition squad on March 3. It was the high preparedness of the local basti-dwellers that saved the day. A large mob of angry residents greeted the demolition squad. With the construction sites deep in the narrow gallis of the basti, the squad thought discretion to be the better part of valour, and took to its heels rather than face the crowd.

On March 4, a stay on demolition was obtained from the City Civil Court. Meanwhile, all arguments that the government and the BMC had formulated a policy of allowing reconstruction of riot-hit houses without formal permission, as decided in the meeting covered by Satish Tripathi just did not wash with the local BMC brass. Repeated meetings with ward officer Hankare and the Deputy Municipal Commissioner S R Dange ended in nothing. Finally, to avoid a repeat of Jogeshwari, Additional Municipal Commissioner B M Ambhaikar, stepped in once again, and the houses were completed and handed over to the owners on April 3.

Through the Mahim creek, which divided Bombay island from suburban Bandra, runs huge water-pipelines. Along these pipelines, a large number of families had been staying for the last four to five years, in settlements called Rajivnagar and Indiranagar. Predominantly Muslim (65 per cent), these bastis were torched during both the December and January riots. About 70 houses were burnt and another 50 looted and destroyed. A Bandra-based legal aid group, the Majlis, took up the cause of these riot-hit and began rebuilding the huts in the last week of March.

By March 25, led by Shiv Sena leaders, a large group of Koli fishermen arrived, abused the riot victims and attempted to stop the construction work. The next day, acting on the complaints by the Shiv Sena, demolition squads of both the BMC 'H' Ward as well as Additional Collector (Encroachments) arrived to remove the huts. They were a "danger to the water mains", and were fresh huts and had nothing to do with the riots, the officers claimed. The activists got a reprieve for a few days as they showed the panchnamas issued by the police which indicated that the huts *had* been burnt in the riots. It was also pointed out that the reconstruction was taking place with building material issued by the state government-constituted rehabilitation committee.

But the reprieve was not for long. A week later, on April 3, the demolition squads came again and levelled the neatly constructed huts. Something is perverse about these demolition departments. They allowed the huts to come up, designed and directed by architects, allowed a nice coat of paint to be applied (and we admired the gleaming tin roofs neatly contoured along the pipeline from the Bandra flyover), allowed Rs 3 lakh worth of material to be sunk in. And then they moved in. The irony of the operation is they even confiscated the very tin sheets provided by the 'rehabilitation arm' of the state government!

The Majlis activists ran from pillar to post to undo the damage, and finally were able to secure a hearing from the chief minister, Sharad Pawar. The bureaucrats stuck to their stand that these were recent encroachments and that they were not burnt at all. However, in two meetings with Pawar on April 6 and 8, the activists, through documents and panchanamas, convinced him of the injustice done and alternative plots for these riot-hit was agreed upon.

As this goes to press, however, the collector's men are refusing to go by the survey carried by the activists, and are again demanding documentary evidence for alternative allotment. The activists say the destroyed plinths, together with the panchnamas, adequately show the number of huts. The collector's men are determined to see that the least possible number are rehabilitated. Result: the Mahim pipeline riot-hit continue to squat at their old sites in the scorching May heat with the sky as their roof.

The same were the travails of the slum-dwellers of the Mahatma Gandhinagar slum, Antop Hill, where nearly 500 tenements were damaged or destroyed by attackers between January 9 and 12. On Bombay Port Trust land, the riot victims were being helped by the Gandhi Relief Camp, and its main organiser, one Father Christopher Brien of a local church. Despite desperate attempts to get permission for the reconstruction from the 'F' North Ward office of the BMC, stonewalling continued, forcing the riot-hit to live in the relief camp months after the riots had subsided. The Port Trust had no objection to the reconstruction since the slum is an old one, and most of the residents possess documentary evidence.

Finally, fed up with the attitude of the BMC, the relief camp organisers began work on the reconstruction of the huts around April 15. They are hoping that the demolition squads do not come.

Attacks on Forest Bastis

Then, in the wake of the BMC demolition squads came the forest department. Stretching from Goregaon, near Film City, to Kandivli, a 10 km stretch, is an endless expanse of slumdwellings on the border of and spilling into the Sanjay Gandhi National Park. On April 22 and 23, the forest department, with police protection, demolished nearly 300 huts in Matangarh, a shanty colony close to Film City. On April 28 and 29, the squads moved on to raze Azad Nagar and a portion of Ambedkar Nagar, off Kurar Village, in Malad. As this goes to press, sporadic demolitions are continuing.

The history of these localities is significant. These shanty colonies, numbering nearly 80,000 tenements along the National Park, are occupied by a mixture of Muslims and Matang and Mahar dalits. The Muslims of Matangarh, Azad Nagar and Ambedkar Nagar became the target of Hindu communalists on January 10 and 11 nights. Nearly 300 houses were torched or destroyed and about 20 people were killed and scores injured in the area. Significantly, however, a large number of dalit houses were also destroyed and looted. Most of the Muslims fled into a Muslim enclave in Malad called Pathanwadi, where nearly 350 of these shanty families made up the bulk of the relief camp set up there.

To the Nivara Hakk Suraksha Samiti activists working among these riot victims, it became apparent that a significant aspect of the communal attacks in the area were linked to land grab bids by local gangs. Attempts to take the Pathanwadi camp families back to Matangarh and Azad Nagar were stoutly resisted by local hoodlums.

Then on February 4 night a dalit basti, Shiv Shakti Chawl in Appapada consisting of about 110 huts, was burnt to the ground. On investigation, it was revealed that it was the handiwork of one Dinesh Singh Thakur, a local upper caste slumlord, who had been trying to evict these residents for some time. Significantly, Thakur had tried to cover his tracks by getting his henchmen to smash the idols in the nearby Datta Mandir on the same night and thereby pass it off as a communal clash. It was the tremendous political maturity of the dalits of the basti, who immediately saw Thakur's game, and themselves repaired the damage to the idol, while suppressing news of the attack on the temple. Thakur was finally arrested on February 6 only after the head of the army contingent posted in the area took up the matter with the police.

A few days later, on February 12, the Muslim leaders in Pathanwadi abruptly shut the relief camp and NHSS activists were forced to rehabilitate the riot-hit families at their original sites under extremely hostile circumstances. Keeping constant vigil night and day, several attacks by lumpens were warded off, and by and by people began setting up home in the three bastis using the construction material donated by Nivara, Times Relief Fund, Rotary Club and other such bodies. But the fragile peace was broken on March 7 when, on Holi eve, a section of Ambedkar Nagar consisting of about 525 huts was burnt to the ground. The people suspected foul play. The police said it was a kerosene primus stove accident. Till date, the cause of the fire has not been established. But for the volunteers, their hands were full with rehabilitation work again; and with having to convince the angry Hindu dalits of Ambedkar Nagar that the culprits were not the Muslims of neighbouring Azad Nagar.

Then came the demolition by the forest department. Starting from Matangarh on April 22 and 23, the forest squad, protected by the Dindoshi police, razed over 2,000 huts in the area in a 10-day operation. The focus was on Matangarh, Azad Nagar and Ambedkar Nagar—wherever the riot-hit had tried to reconstruct their houses. In Ambedkar Nagar, only the precise section which had been burnt on March 7 was demolished. In Azad Nagar, Muslim houses, identified with a particular white plastic sacking material which they had received in riot-relief, alone were demolished. All building material, donated for and bought by the riot-hit families, was carried away forcibly. Activists counted at least 25 trucks full of tin sheets, wooden poles and such material being carted off. Nivara Hakk Suraksha Samiti had donated about Rs 2 lakh worth of material—the money coming from a variety of groups and citizens—all of which is in government godowns today.

Those who resisted were brutally beaten up. On April 22, a section of Matangarh residents and others from neighbouring slums began raising slogans against the forest department. Led by senior inspector of Dindoshi police station, Khalkhamkar, the police unleashed a lathi-charge. Four persons were arrested. The most vile communal abuse was hurled at the crowd. The arrested activists found to their horror that at 12 noon almost all the police officers leading the operation were reeking of liquor. A sub-inspector, who could barely stand, accused the activists of being *'desh drohis'*. On April 28 and 29, the same scene was enacted at Ambedkar Nagar and Azad Nagar. Youths who resisted the demolition were mercilessly beaten. A bulldozer was brought to demolish a small school—the Bharat Ratna Ambedkar Vidyalaya—serving 400 children in the area. The superintendent of the school fell at forest range officer Lokhande's feet and begged him to take his life first. The drama averted the demolition for that day. Lokhande, however, promised to come back with his bulldozer.

The forest department claims that the slumdwellers have encroached on valuable forest land and are causing serious environment degradation of Bombay's green pocket. The slumdwellers say that forest range officer Lokhande, and before him range officer Patil, ran a lucrative business in netting hefty 'hafta' for allowing the slumdwellers to settle on forest land. Ambedkar Nagar residents say they are situated on F E Dinshaw Trust land and not on forest land. They also point out that the worst environmental degradation is being caused not by the slumdwellers but by the corrupt forest rangers who have flattened entire hills by selling mud and stones to building contractors. Matangarh's residents say they have the registration number of 27 trucks which ply up to five trips a day carrying valuable red 'garden' mud. That is why possibly Matangarh has seen its fourth demolition in five years. The 'hafta' is reportedly Rs 10,000 a truck.

But more than all this, it is obviously not a coincidence that the forest department, out of the 80,000 tenements along the National Park, chose the bastis where the riot-hit and the fire-ravaged dalits and Muslims were struggling to rebuild their lives for demolition.

On March 11, Gajanand Kirtekar, Goregaon's Shiv Sena MLA, raised a discussion in the assembly that encroachers of the minority community had ruined the National Park. The state government promised to act and chief minister Sharad Pawar cleared the file for demolition. The riot victims, their lives fractured and smashed, now do not have even a relief camp to go to.

The series of events narrated above make it obvious that the communal war is far from over. Hindutva forces are determined to continue to target the Muslim community to keep the fires burning. Various arms of the state—the Bombay Municipal Corporation, police and other officials—have established a close nexus with Shiv Sena and other communal forces to carry on a subterranean proxy war for Hindutva against the Muslims.

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Badanavala Killings
Signs for the Dalit Movement of Karnataka

Janaki Nair

The Karnataka Dalit Sangharsh Samiti has become a formidable organisation in the state. Relying on local resources and responding quickly to the daily abuses to which Dalits are subjected, the DSS has learnt to wield the legal-juridical machinery with some skill. This has made the Dalits the targets of new and varied atrocities and earned them the hostility of other political groupings such as the Raitha Sangha.

IN the last week of March, the people of Bangalore were treated to an excellent production of Devanur Mahadeva's novella *Kusumabale* by the Mysore repertory theatre, Rangayana. C Basavalingaiah's open air dramatisation stayed faithful to the difficult cadences of the dialect of the Mysore area which spoke of the multiple ways in which Dalits coped with unbearable oppression, through recourse to elaborate ritual, humorous defiance, traditional deference, or adoption of liberatory ideologies, while nevertheless paying a terrible price for the slightest transgression.

It was cruel irony that on March 25, in Badanavala, Nanjangud taluk, Mysore district, a village neighbouring writer Mahadeva's native Devanur, three Dalits paid with their lives for the sin of demanding admission to the newly-renovated Siddeswara temple in the village, renovations that had been made possible by Dalit money as much as Dalit labour.

Badanavala is a small village of 2,500 people, about 25 miles from Mysore city. During the period of Mysore Dewan Mirza Ismail's engagement with economic nationalism, Badanavala was chosen as the centre of a state-sponsored khadi production programme, and the village was even visited by Mahatma Gandhi in 1936, and was also the focus of the work of Tagadur Ramachandra Rao, referred to as the Mysore Gandhi, who undertook an epic fast for temple entry of Dalits in 1933. Today, there is little trace of the moral force of the religion of Gandhi, even less trace of any constructive work, and only the bitter reminder of the lingering antagonisms of caste, between the dominant Lingayat caste and the Dalits, who comprise the two major communities in the village.

There are nearly 1,200 Dalits, and about 1,000 Lingayats in Badanavala, the rest of the population of the village consisting of Ganigas and a few Muslims. In this dry area, the Dalits are mostly small farmers and agricultural labourers, while the Lingayats too are medium-scale farmers, employing labour on their land. Both the Dalits and the Lingayats spoke of no history of hostilities, and indeed there have been no overt signs of discrimination with reference to water sources, shops, flour mill or fair price depot. Yet it is clear that the caste hierarchy was rarely challenged in any significant way till recently. In that sense, we may speak of the success of Ramachandra Rao's work for harmony within the caste order.

Temple Entry Issue

The village square, which memorialises Gandhi with an armless bust under a canopy, has Dalit temples to Rama, Viriyamma and Maniyamma on three sides; on the fourth side is the red-tiled building of the Ambedkar Yuvaka Sangha. Even the topography of the village has been altered by the emergence of this new political force in the village. Since 1984, when it was founded, the Sangha has been built up by the growing band of educated, but disaffected, group of Dalits. The Dalits appear to have acquired a respectable degree of formal education, with over 100 youngsters who have completed their SSLC and nearly 50 graduates. Closely linked to the Dalit Sangharsh Samiti, which has built up a formidable base in nearly every taluk of Karnataka, the Sangha has organised educational, cultural and sports programmes, including a successful anti-liquor campaign, for all of which the village's proximity to Mysore has clearly been a help.

Plans were made a year ago to take advantage of the Bangarappa government's Aradhana scheme and renovate the Siddeswara temple, located some distance away from the village, to which devotees came from all the neighbouring villages, and from as far as Mysore. For this purpose, Parashivamurthy, the secretary of the renovation committee, appealed to the Dalits of Badanavala to contribute their mite. He may perhaps have been encouraged by the false, but persuasive, unities of the Bharatiya Janata Party: in 1989, all residents of Badanavala, including the Dalits, had sent consecrated bricks for the Shilanyas programme at Ayodhya. But evoking this unity in the local setting was somewhat more difficult: younger Dalits, particularly the members of the Sangha, demanded that they be assured of temple entry when the renovations were complete. This assurance was given, and the Dalits contributed Rs 30,000 as well as 'shramdan' for the renovation.

The temple was ready for formal reopening on January 30, on which occasion several Lingayat swamijis and the Lingayat Congress MLA of Nanjangud, M Mahadevu, as well as some other Dalit legislators were invited. Dalits who were born and brought up in Badanavala were, however, deliberately kept out, and even attacked by lathi and sickle-wielding Lingayat youths. The police, who were present, chose to book cases against 31 Lingayats and 26 Dalits under Sec 107 for disturbing the peace. Neither the swamijis nor Mahadevu chose to intervene in favour of the local Dalits' right to enter the temple.

A peace committee was constituted the very next day, which included the circle inspector, the deputy superintendent of police, the tehsildar and leaders of both the communities. The Lingayat leaders appeared to be in no mood to relent and asked for time till February 24 to 'consider' the question of temple entry. This, S P Kishore Chandra said, was unacceptable, and insisted that entry be permitted from February 1 or 2 itself. By February 2, the pujari of the temple had escaped and the temple was locked. Dalits gained entry into the temple only through police intervention from February 2.

Upstaged by the Dalits, who were clearly conscious of their democratic rights when they demanded police protection, the Lingayats were forced to withdraw from their indefensible position. But not for long: plans were already afoot to teach the Dalits of Badanavala a lesson, and daily consultations were held between Parashivamurthy and the local MLA.

The Dalits meanwhile planned a big puja after Ugadi on March 25, for which they requested police protection as early as March 22. Yet while some 16 Dalits were returning victorious from a cricket match in Aneyamballi village on March 25 at about 1 p m, a group of more than 50 Lingayats armed with choppers, sickles and knives pounced on them and managed to kill three Dalits and severely injured two.

Among those who were killed in the well planned attack were B Narayanaswamy, a retired headmaster and his son Madhukar Nataraj, a school teacher. An old Dalit woman, witness of untold

discriminations and oppressions, recalled her shock and pain on hearing that the attackers included former students of the headmaster. So far about 36 of the 50-member gang of Lingayats have been arrested, and the entire set of able-bodied male Lingayats have gone into hiding, leaving only their women, children and old men behind. The surprising number of outsiders now occupying schools and every available public building are members of the police, 120 of them, who have kept any further reprisals at bay.

Badanavala's location, less than 200 km from the state capital, has made the incident prominent in the media and in the legislature, and has made the village the target of large numbers of Congress(I) politicians anxious to establish their liberal credentials. Chief minister Veerappa Moily, who also visited the scene, paid compensation to the families of the dead, ordered a CBI probe and announced that the state would stop 'tasdiks' (grants) to temples practising untouchability (even as he responded favourably to the suggestion from outraged legislators that the temple be taken over by the government). In addition, a fair number of swamijis have visited the place, including the swamiji of Pejawar Mutt, a public and vociferous BJP supporter, who advised the Dalits to let bygones be bygones, and start living amicably with the upper castes. Dalit legislator C Motamma, who has been chairperson of the legislature committee enquiring into the various incidents of atrocities against Dalits, threatened that all 37 Dalit MLAs of the legislature would resign, but there appear to be no signs of that at all.

The Dalit Sangharsh Samiti, which responded quickly to the incident, held two demonstrations in Mysore and Nanjangud, demanding a detailed probe, dismissal of the circle inspector and punishment for the guilty. Yet, the Lingayats of the area, not to be outdone, and showing no sense of remorse for the incident, also organised a large procession and rally in Nanjangud under the leadership of MLA Mahadevu, where he demanded that the DSS, being even more dangerous than the RSS, be banned.

On the Offensive

As Mahadevu's support for the attack is becoming more explicit, he is seeking cover by going on the offensive. When asked why he made the statement about the dangerous nature of the DSS, he said that though the RSS is a communal organisation, it is working for 'high ideals' at a high level, but the DSS was interfering in daily administrative affairs, and were a daily harassment to the upper castes, who now have 'no peace of mind' due to the DSS and its 'goonda raj'. Referring to a similar confrontation between the Dalits and Lingayats in Sargur in Heggadadevankote taluk of Mysore district, in which eight Dalits were killed about two years ago, the legislator insisted that the Lingayats had "been provoked into the attack". By Mahadevu's ingenious logic, activity of the DSS is at least as disruptive of communal harmony and is anti national as the activities of the RSS.

Mahadevu's statement is testimony to the ways in which the Karnataka Dalit Sangharsh Samiti has become a formidable organisation in the state today. Relying on local resources and responding quickly to the daily round of abuses to which Dalits are subjected, the DSS has learnt to wield the legal-juridical machinery with some skill. A large number of cases have been filed under the SC/ST (Prevention of Atrocities) Act of 1989 and the Protection of Civil Rights Act of 1955. Although a mere 16 of the 3,269 cases filed over the past three years have reached fruition, there is a persistent faith in trying to make that system work. There has also been a conscious attempt to build bridges with the police, long considered the implacable enemies of Dalits. Indeed, in at least three recent cases, the police have prevented attacks on Dalits from turning deadly, often by firing on upper caste mobs. In Devalaganagapur, Afzalpur taluk, Gulbarga district, a predominantly backward class village, three caste Hindus were killed in police firing in July last year when police tried to prevent a vicious attack on Dalits there. In Idapanur in Raichur district, a 2,000-strong mob armed with choppers, staves and knives was fired on by police as they came to attack the Dalits, and four were killed. In Hosdurg in Kanakpura taluk of Bangalore district, the village Vokkaligas who damaged and set fire to 66 Dalit homes were prevented from further violence through police intervention.

There is a political awakening among Dalits across the state over the past 15 years that has made them the target of new and varied atrocities. Dalits have even earned the hostility of other political groupings such as the Raitha Sangha, which resents the Dalits' lack of enthusiasm for the Sangha (which, it must be noted, has rarely taken up the case of agricultural wages, working as it does primarily for price increases which benefit middle- and large-farmers).

New Segregation

There are no easy solutions to the spate of atrocities against Dalits that occur across Karnataka today. Politicians have always rushed to the spot of the atrocity and assured Dalits of separate flour mills, hotels and fair price shops so that friction may be avoided, yet, there is no question that this leads to new forms of segregation and cannot be the solution in the long run. The Karnataka home minister, Dharam Singh, has more than once rashly promised to arm Dalits to help them defend their civil rights. The massive deployment of police in areas where there have been vicious attacks on Dalits again cannot be sustained for very long. The judicial process, slow and creaking at the best of times, has sorely tried the patience of Dalits who need immediate redressal of their grievances. No wonder that they have begun administering their own forms of justice, and used their organised force to extract at least the assurance of civilised behaviour from the caste Hindus.

The media attention trained on Badanaval contrasts sharply with the virtual non-reportage of the Hosdurg incident in which 66 Dalit homes were smashed or burnt by rampaging Vokkaligas. At least in part, the antagonism between the Lingayat MLA and Dalit MP, both of the Congress (I), has fuelled some of the curiosity over the Badanavala incident. It is perhaps an indication of the miles that the DSS, and the Dalits of Karnataka, have to go that nearly all newspapers continue to refer to them, not by the name they have given themselves, but as 'Harijans' and 'Untouchables'.

The future of the DSS in Karnataka, which started out as an organisation for transforming cultural politics, will depend on how it sustains the considerable energy that seems to have been released. This will demand, among other things, thinking through what is perhaps the most problematic of its interventions in Karnataka's villages: its response to the persistent charge that Dalits have molested upper caste women. In many instances, this has merely been dismissed as a form of caste justice for the centuries of abuse which 'our' women have endured at the hands of caste Hindus. The possessive pronoun betrays the fact that even the most propertyless of people have one form of 'property' over which power is wielded. Women have certainly not been inducted as democratic partners in the struggles of the DSS, and predictably there are neither women leaders in the DSS nor are women's issues part of the agenda.

The Badanavala events were in many ways no worse than the incidents that had occurred in Allagi-B, Idapanur or Sargur. The CID probe ordered by the chief minister can only be cold comfort to the Dalits of Karnataka, who have seen the appointment of a one-man commission on the Sargur incident, but have yet to hear of his report which was submitted to the government in November last year and has clearly been suppressed. Despite such paradoxes, the Dalit movement must continue to pursue as many avenues as possible in claiming a measure of dignity for Dalit lives.

Science and Superstition

Bharat Dogra

Instead of pursuing farmer-friendly science, India has opted for research which will be of interest only to business. In the circumstances, it is not surprising that farmers, perceiving this as deception in the name of science have espoused superstition and non-science.

INDIAN villages provide a strange paradox of life remaining heavily weighed by old religious beliefs and even superstitions, and yet not failing to respond to the possibilities of economic improvement made possible by science and technology. There cannot be better evidence of this then the extent to which green revolution agriculture has been taken up by farmers of Indian villages. According to the government's data for main foodgrain crops, up to 1991-92 67 million hectares of land had been planted with HYVs in the case of these six food crops. Even allowing for the expected exaggeration of data, this is a very impressive response on the part of farmers. As economist Ranjit Sau has commented, "This is an unprecedented diffusion compared to any innovation anywhere in the world."

But have the farmers been amply rewarded for their responsiveness to the call of modern science and technology? Far from this. The Indian experience of agriculture based on crop varieties which need heavy doses of chemical fertilisers, pesticides and herbicides is the same as the bitter experience of other places. After a time, more and more of these chemicals are needed just to maintain yields. Harmful pests develop resistance to pesticides and there is a never-ending search for newer formulation that can beat the bugs. But often it is the bugs which win. The genetic uniformity as well as lack of adaptability to local climatic conditions makes the new HYVs very susceptible to pest attention. Farmers' expenses escalate while the gains in yield, if at all these exist, are input much less than expected.

This leads to a loss of faith in science and the farmers turn easily to religious myths and superstitions from which they have not fully emerged. An anger against the establishment, which is perceived to be responsible for the economic ills, is mixed with strong anti-modern science feelings, which seek refuge in the comfort of old religious beliefs and superstitions. Such feelings can take dangerous sectarian and disruptive forms depending on the kind of provocation that is provided. There is an interesting anecdote from Punjab when terrorist violence was at its peak. Perhaps due to heavy pesticide exposure, birds in the region became dull and would not fly away on being approached by human beings so that their visibility in the fields increased. Incidentally these birds also resembled a powerful religious symbol. This led to rumours that these had been sent there by a great Guru so that injustice caused to the people could be avenged.

This anecdote shows how close the farmers, even in the most intensive area of green revolution, are to religious beliefs and superstitions. In such a setting what is perceived as a failure of science, or deception in the name of science, can lead to a violent backlash that uses religious revivalist tendencies against the 'establishment' that is supposed to be responsible for the problems of farmers. How this 'establishment' will be defined will depend on local factors and the source of provocation/instigation but the fertile ground in which this provocation can spread fast is provided by the economic and ecological realities of green revolution farming.

In all this, of course, there is no failure of science as such. The same science could have been put to use for obtaining varieties which did not make the farmer dependent on chemicals but tried to increase yields to the extent possible by low-cost methods and materials which were available within the villages. Better yields could be obtained by improving the indigenous varieties which were well adapted to local conditions and less susceptible to pests and diseases. The same scientific knowledge could have been used for preserving rather than endangering the diversity of crop varieties available in many areas. But instead of doing all these farmer-friendly things science ignored the real long-term interests of farmers and opted instead for something that could bring quick profits for agribusiness in the form of sales of agrichemicals, machinery and seeds. The interests of business dominated the research for crop varieties but this was done in the name of helping the farmers.

Agriculture is just one example of such trends. Science and technology are used to serve the interests of big business *vis-a-vis* farmers and consumers and of rich countries *vis-a-vis* poor countries. Thus instead of having a liberating influence on the world which is still ridden by poverty and want on a significant scale, science frequently has an opposite impact.

Technology transfers across countries and continents have led to a situation where technologies which can have a very disruptive impact on the lives of millions of people can be imposed from above instead of evolving with the experience of people. It goes without saying that initially all the nice things will be said about the new technologies and a clever propaganda effort will be launched. People struggling at low levels of subsistence are likely to respond eagerly to any possibilities of growing "two blades of corn where only one grew before", specially as the longer term adverse implications are never explained to them. When the negative implications catch up with them, the resulting economic tensions and frustrations can erupt in violence.

Scientists and technocrats cannot remain unconcerned about the field-level impact of their work. There has to be a serious reconsideration of the impact that the spread of technology evolved with other aims but sold in the name of helping the poor has on the livelihood and contentment of million of villagers.

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Total Literacy Campaigns:
A Field Report

Nitya Rao

Establishment of mass literacy is a task that calls for sensitive and well-coordinated administrative skills and a political commitment that few governments in post-Independence India have had. Without mass organisations of the poor, without mass participation in programmes of social and economic development and without the universalisation of primary education, the gains of the literacy campaign will be difficult to sustain.

THE National Literacy Mission (NLM) was established in 1988, with the objective of revising and strengthening the existing adult education programmes in the country and making them mass programmes. Several evaluations were conducted by the Mission, and projects like the Rural Functional Literacy Programme, the Mass Programme of Functional Literacy, the adult education programmes of voluntary agencies and state governments were revised. These efforts did not lead to a satisfactory strategy for the eradication of mass illiteracy.

In 1989, a voluntary agency, the Kerala Shastra Sahitya Parishad (KSSP) asked the National Literacy Mission for financial assistance for a mass campaign in Ernakulam district. The first Total Literacy Campaign (TLC) was begun in Ernakulam district on January 26, 1989, and from this experience was developed the 'TLC model' for mass literacy that is now being implemented in over 150 districts of the country.

An important conclusion of the international literature on education and literacy is that mass literacy is not a development outcome that is achieved merely with the passage of time: it requires a conscious and organised mass campaign. The Indian experience on this is clear enough. India's programmes of adult education, administered by the Department of Adult Education for several decades, failed to achieve any real progress in the field of mass literacy.

Internationally, campaigns to promote rapid increases in rates of literacy have involved the mobilisation of large numbers of learners and teachers, often by central authorities who have used elements of compulsion, ideology and social pressure to propagate literacy. In Nicaragua, the mass literacy campaign of the early 1980s was given the imagery and vocabulary of a national war to depose an oppressive social order and establish a new one based on mass empowerment.

Literacy is, of course, of intrinsic importance in the life of a human being. Literacy is also an instrument of empowerment. Awareness about social problems and structures, and information about development programmes can help transform lives, by enabling people to seek—and demand—better conditions of life. To be 'literate' in terms of the norms of the Mission, a learner must have basic literacy and numeracy skills, functional knowledge, usable in day-to-day affairs and social awareness.

Experience has shown that there are some innovative features of the total literacy campaign in India that are common to the different areas in which it has been implemented. The first of these common elements is its mass campaign approach. The TLC seeks to cover, in a specified time-period, the entire illiterate population residing in a compact, geographical area, usually a district. The second common feature of the campaigns is the participation of the people of the localities where the campaigns are on, in planning and implementing the campaign. Thirdly, campaigns are based on voluntary work. Panchayat-level, block-level, district-level and state-level organisations have been formed that are independent of, although supported by, local governments and administrators. Though the specific methods of mass mobilisation vary, the formation of such organisations is absolutely crucial to the success of the literacy campaigns.

While there are common features to the campaigns in different areas, literacy campaigns must also be sensitive to existing social conditions, to the conditions of life and work of people in specific localities, to the gender and age compositions of local populations, to the languages that people speak, and so on.

Essential to a literacy campaign are programmes that ensure that neo-literates do not relapse into illiteracy. It is well established that a neo-literate can revert to illiterate status in 8 to 10 months (and even quicker) if post-literacy campaigns do not provide sustained practice in using literacy skills. This is even true of regions where base-level literacy is high, like Ernakulam district. Given that the potential for regression into illiteracy among neo-literates is always present, it is important that literacy comes to play a meaningful role in the lives of the neo-literates if literacy skills are not to be lost. Regression means the wastage of sizeable resources, both human and financial, spent during the campaign and, more important, the tragic loss of a skill that has taken much dedication and hard work to impart and inculcate.

Tanzania, an example of a country that emphasised post-literacy maintenance and development activities in its national literacy campaign, imaginatively used a variety of media to promote reading and writing skills; these included mobile libraries and rural newspapers. Textbooks representing different areas of interest were produced for learners. An overall functional orientation to the literacy campaign was adopted, which helped raise the literacy levels to over 80 per cent.

This is a report on the progress of the literacy movement in four regions of south India, namely, the Union Territory of Pondicherry, Pasumpon Muthuramalinga Thevar and Pudukkottai districts in Tamil Nadu, and Nizamabad district in Andhra Pradesh. The report is based on field trips that I made to these areas in June 1992, as part of a study of strategies for the post-campaign phase of the literacy movement in these areas. It is premature to attempt a detailed analysis of the post-literacy campaign, but the directions that is now taking may be described.

Pondicherry

After Ernakulam in Kerala, Pondicherry was the second region in India to be declared 'totally literate' (Pondicherry was so declared in November 1991). About 67,000 people in the age group 15 to 40 years, 60 per cent of them women, were covered by the Total Literacy Campaign in the Union Territory. Initiated in September 1989, and organised by the 'Puduvai Arivoli Iyakkam', or Pondicherry Literacy Society, the movement gathered momentum after March 1990.

To administer the campaign, a committee with representatives from the government, political parties, voluntary organisations such as the Pondicherry Science Forum, Nehru Yuvak Kendra, and associations such as the NSS, was formed. The first task was to create an environment favourable to the campaign, by means of a massive publicity campaign involving mass conventions, 'kalajathas' (cultural shows and processions) and 'padayatras' (campaigns in which volunteers walk from place to place). The ob-

jective of these activities was to generate awareness for eradicating illiteracy, and to motivate and mobilise volunteers and learners to participate in the campaign. Ten cultural troupes travelled through the villages, popularising the message of literacy through more than 1,500 performances. To ensure community participation and continuity, which were critical to the success of the campaign, literacy committees—involving local youth club, women's organisations and teachers—were formed at the village, commune and district level.

The next task was training. There were two categories of people to be trained. The first was the category of volunteers, including key resource persons, master trainers and volunteer instructors, who were trained to teach a 3-part integrated primer. The second category comprised village and commune level organisers. About 13,000 volunteers were mobilised and trained.

The teaching phase lasted from about June 1990 to April 1991. The initial response to the classes was encouraging, with an enrolment of about 80,000 from an illiterate population estimated at 1,00,000. Several problems emerged: many were issues that could be expected to arise with the enhancement of public consciousness and a heightened awareness of basic rights among a population living in poverty.

Sustaining the interest of the learners and preventing drop-outs was difficult. The 'environment-building' efforts had succeeded in motivating illiterates to enroll themselves in the campaign. After all their daily chores, coming to the centre could be tiring and wearisome. There were other reasons for learners dropping out: some people felt that they needed to know only how to sign their names: the pedagogy of the campaign was often poor; the monsoon and festivals intervened. Those who already had some basic literacy felt disinclined to join the groups as they found nothing new or exciting on the agenda; they could not see its functional application in their lives.

The government's unwillingness to follow the programme through was, and is, a major obstacle in the way of the campaign. One lesson in the literacy primer raised issues of poverty and unemployment in India and of the iniquitable distribution of resources, and it called on people to struggle for a just society. Citing this chapter as "evidence", the speaker of Pondicherry's legislature actually called the Total Literacy Campaign "anti-national". The elected government of the Union Territory refused to sanction the post-literacy budget proposal; as a result, reading material for Pondicherry's 530 post-literacy centres could not be produced and, more important, large numbers of committed volunteers were disheartened.

Government policy has brought the post-literacy campaign to a virtual standstill in the Union Territory. A campaign that generated mass awareness, and sought to make the poorest conscious of their rights, was seen as being profoundly dangerous by the party and government in power in Pondicherry.

The village-level workers and many volunteers are young and not equipped to organise adults around various social, economic and work issues. They themselves lack adequate information on issues of interest to the adult learners. Though an attempt was made, through a 'force of 80' highly motivated volunteers, to retrain village-level instructors and monitor the classes, they have not all been able to develop the organisational skills required for bringing the neo-literates together into literacy circles. In some cases, the volunteers worked with the expectation of future government employment, and when they did not get this, lost interest in the programme.

The response of women to the campaign was encouraging. They saw in the campaign a space for themselves, and an opportunity to interact with each other and to gradually bring about changes in social, and more particularly, gender relations. As part of the village-level committees, women's subcommittees were formed. These subcommittees raised a range of issues, including the need for more facilities for primary education, more public utilities, and (with rather less success) the organisation of income-generation projects for women.

The literacy movement had reached the masses, something which the government had been unable to do. Expectations about the benefits and impact of the literacy movement mounted. People began to expect it to provide solutions to all their problems and hasten the pace of implementation of development programmes. It is really not a criticism of the literacy campaign, but its inability to meet the expectations of the people in terms of the implementation of development programmes led to a decline in enthusiasm over the months. To take an example, twice there were floods in a fishing hamlet, and three rows of houses were washed away. The people of this hamlet wanted financial assistance for housing, but this issue could not be taken up by the literacy committee. The fisherwomen of the hamlet were being exploited economically by the contractors. To assist them by increasing their collection, the literacy society helped them install Fish Aggregation Devices. However, private launchowners smashed these devices.

When people perceive literacy as critical to their daily existence and see its utility in enabling them to live better, the motivation to strengthen their literacy skills also increases. To take an example, Father Anthonisamy of the Holy Redeemers, who is also on the Executive Committee of the Arivoli Iyakkam, conducted a survey amongst four Arivoli groups and found that 85 per cent of the learners were in debt. Through the Holy Redeemers, those paying more than 10 per cent interest per month were helped to pay back their past debts immediately. An equivalent amount of money was deposited in the thrift and credit group that was organised around the learning group. The group employed the literacy volunteer to maintain its records and accounts. In addition to managing the thrift and credit society, the volunteer continued to help develop the literacy skills of the members. It is possible to tie such developmental work to literacy work.

Wherever functional literacy has become a practical reality and has been identified with local issues and priorities, the literacy movement seems to have made a deeper impact. In other words, literacy is an instrument for social justice and the empowerment of people.

Another development effort resulted from a 'social mapping' exercise undertaken in a literacy class. The group noted that only four out of 11 street lights worked in their street. A petition was written and sent to the electricity department. Quick action by the department became a source of motivation to the neo-literates.

Adult learners wanted to continue to learn, provided they found learning meaningful to their lives. The challenge facing the Arivoli Iyakkam was to plan and implement a post-literacy programme that would improve their work-skills, and help them find new forms of employment.

No literacy campaign can be successful if a programme of compulsory and universal primary education is not implemented. The literacy campaign had a direct impact on primary education in the union territory. In fact, the programme for adult literacy and Universalisation of Elementary Education (UEE) are really two sides of the same coin. As part of the post-literacy campaign, the activists of the literacy movement sought to arrange teacher training camps for the universalisation of elementary education as well as a 'back to school' campaign for drop-outs in the age group of six to 14 years. The government, however, did not sanction funds for the post-literacy programme, and this campaign has come to a halt.

Several members of the formal education system co-operated actively in the enrolment of drop-outs and of illiterate working children. Visalakshi Thangappa, headmistress of the government girls high school, created a separate section in the school for rag-pickers. A noteworthy achievement, she feels, is the enrolment of three exceptionally bright and talented children, who after a test, were admitted directly to classes 7, 5 and 4 respectively.

Prior to this, they were students in the TLC.

The fortnightly bulletin brought out by the Literacy Society, the literacy wall for transmitting news at different places in every village and hamlet, and the exercises in 'social mapping' have generated much interest among learners. However, the inadequacy of materials and finances for initiating new activities is becoming a major constraint on the progress of the movement.

Pasumpon District

With the success of the TLCs in Kerala and Pondicherry, several districts in Tamil Nadu sent proposals to the NLM for launching campaigns in their districts. The first to be approved were the campaigns in Pasumpon and Kamarajar districts in March 1991.

The campaign in Pasumpon was launched in April 1991 under the aegis of the Pasumpon Mavatta Arivoli Iyakkam (the Pasumpon District Literacy Society). According to the 1991 Census, Pasumpon had a population of 10.75 lakhs, of whom 5.91 lakhs were literates. The campaign began with a major publicity drive, followed by a door-to-door survey that identified 1.08 lakh illiterates in the age group 15-35 years. Despite interruptions due to drought and mass migration in search of work, as well as the elections, teaching began in August 1991 and continued till May 1992. Approximately 15,000 volunteers were mobilised and trained to be teachers. About 90,000 illiterates enrolled in the classes, of whom about 80,000 acquired literacy levels as per the norms of the NLM. The district was declared 'totally literate' (that is, with a literacy rate greater than 80 per cent in the target age group of 15-35 years) in August 1992.

Pasumpon was the first district in Tamil Nadu to implement the TLC. The programme was developed taking note of the difficulties faced in other areas, particularly Pondicherry, and drawing upon the lessons learnt there. Thus, the TLC in Pasumpon district concentrated on and developed a network of participatory, grassroots, village-, panchayat- and district-level structures to ensure the continuity and sustainability of the movement. All voluntary organisations functioning in the district were involved, as were several government departments. Attempts to build the self-confidence of volunteers and learners, specifically women (who constituted 70 per cent of adults who enrolled) were made by organising training programmes and a variety of other activities such as talks, conventions and cultural shows. A significant contribution of the Pasumpon campaign was the introduction of a gram panchayat co-ordinator, a link person between the district centre and the village centres, who was identified and appointed by the village people themselves.

Though the overall base literacy rate for Pasumpon (55.01 per cent) was marginally higher than the state average, the gap between male and female literacy was among the widest, next only the Pudukkottai district. In response to this finding, the activists of the campaign attempted to establish women's literacy committees right down to the village level. Almost every village had a woman convener.

The women's committees were active in several blocks, especially Ilayankudi and Tirupattur, and tackled diverse issues, from street lights that didn't work to water scarcity. About 800 women were trained in organisation and public speaking. The women's literacy committees also helped to train people in tasks such as the production of palm leaf baskets, for which the resources existed locally. In some cases, the committees sought assistance under the Development of Women and Children in Rural Areas (DWCRA) programme (an example is a pickle-making unit at Ilayankudi). Fifty DWCRA groups were formed, most of them at the initiative of the village-level women's literacy committees, and they involve both learners and volunteers in their activity.

The literacy committee also took on, with the assistance of the General Insurance Corporation, a programme to popularise personal insurance. More than 2,000 people were insured (the premium was nominal). Two claims have already been filed. Insurance helped people recognise that every life is valuable, and boosted their self-image.

A noteworthy, and well known, feature of the Pasumpon literacy campaign was a programme to teach women karate. Competitions between block-level karate groups were held. This training helped women realise their own strength and lose many of their fears and physical inhibitions.

During the campaign phase itself, there were several initiatives to encourage literacy activities and build a sustained interest in learning. To take some examples, inland letter forms were distributed to volunteers, postcards were written to and by learners, and they were encouraged to fill in money-order and ration-card forms. Several competitions and functions, health camps and 'kalajathas' (cultural performances) were organised by the Arivoli Iyakkam.

The campaign attempted to spread the message that universal elementary education is necessary. A survey that attempted to find out the reasons for school dropouts found that many people thought school education to be irrelevant and with no practical utility in their lives. A pilot project on activity-based teaching, which relates learning to activities of daily life, was begun in Ilayankudi block.

Sustaining the achievements of the literacy programme requires much organisation and dedication and also political commitment to mass literacy. The organisers hope that the village-level organisations that have been created will be committed to sustaining literacy as well as linking literacy to income-generating development programmes. The next two years will be crucial in determining the success of the TLC.

The post-literacy phase must seek to strengthen and further develop the achievements of the campaign phase. The agenda includes a supplementary project to cover about 9,000 illiterates in the 9-14 age group and another 38,000 in the 36-45 age group who were not part of the target population in the first phase of the campaign.

As economic survival needs are often pressing, continued voluntary effort on a long-term basis, despite high motivation levels among many of the volunteers, may not be a practical possibility. A new feature of the Pasumpon literacy movement is a two-year programme at the block level to improve the academic level as well as the economic condition of the volunteers. The plans include an academic component to enable volunteers to complete their matriculation, and a vocational-skill-training component, compatible with local resources and needs. Providing them opportunities to enhance their capacities is justified recognition for the commitment and dedication shown by the volunteers during the literacy campaign.

Such a programme would take care of numerous young people like Chandra. Chandra's brother refused to let her teach in the Arivoli centre as a volunteer as there was no money in it. She wanted to participate in the programme, for the experience and joy of achievement it gave her, and so she lied to him that she received Rs 250 per month as honorarium. During the day she worked as a wage labourer and managed to earn this amount, which she gave to her brother every month.

Neo-literates also gain access to training through TRYSEM, benefits under DWCRA, loans through IRDP, and technical assistance from government extension departments, universities and other voluntary bodies in the areas of agriculture and ground water resource development. An attempt to utilise the cable TV network for communicating some of this information was made.

Pudukkottai District

In Pudukkottai district there was a further refinement of the TLC. Pudukkottai, according to the 1991 Census, had 6.62

lakh illiterates out of a total population of 13.22 lakhs. The campaign for total literacy was initiated on July 23, 1991, by the Pudukkottai Mavatta Arivoli Iyakkam, a society registered under the Societies Registration Act. After a hectic initial motivation phase, teaching began on October 2, 1991. As against an initial estimate of 2.3 lakh illiterates in the 15-35 age group, the survey identified 2.9 lakh illiterates in the 9-45 age group. Teaching continued till the end of July 1992, when an external evaluation was conducted, and the district was declared 'totally literate' on August 11, 1992.

Over 26,000 volunteers were mobilised in the district. They taught in the literacy campaign without any payment. The programme was co-ordinated at the district level by government officials as well as a diverse team of full-time Arivoli workers.

Although Pudukkottai was ranked 16th in the state in terms of the percentage of literates to total population in the 1991 Census, the gap in literacy rates between males and females was the highest in the state, 24.3 percentage points. To correct this inequity, women's literacy was emphasised right from the beginning of the campaign.

The response and involvement of women at all levels, not only as learners, but also as master-trainers and assistant project co-ordinators has been tremendous. A major reason for this special emphasis and sensitivity to women's needs, as in Pasumpon, has been the presence of women District Collectors, who were committed to the programme of mass literacy, Qudsia Gandhi in Pasumpon and Sheela Rani Chunkath in Pudukkottai, who spearheaded the campaigns in these districts. They were supported at every stage in this effort by activists of the Tamil Nadu Science Forum, and its president, Venkatesh Athreya, who is also the State Literacy Co-ordinator.

Women's committees were formed at the district, block, sub-block and panchayat levels. These committees were involved in a wide variety of activities. First, 'Meet the Learners' and 'Back to School' campaigns to motivate parents to send children aged between five and eight years back to school were organised. Secondly, the identification of women for various training programmes was carried out. Thirdly, competitions, meetings and conventions were organised at village centres to discuss issues that could not be handled by the volunteers, such as issues of dowry, wife-beating, and economic exploitation. Fourthly, members of the literacy campaign dealt with conflict situations, for example, a movement of women agricultural labourers who demanded minimum wages from a landlord at Pudur. Fifthly, women learners were helped to write their own petitions to government authorities and to work out their own problems. Through such activities, campaigners tried to generate awareness and develop people's confidence in literacy committees, and attempted to create a credible organisational base for sustaining both literacy and other development activities.

A hallmark of the strategy in Pudukkottai seems to have been to link the movement for literacy with the lives and livelihoods of the people right from the start. This has not only provided a constant source of motivation to the learners, but has also facilitated close co-operation between the district administration (especially the revenue, development and education departments), the full-time Arivoli staff and the learners. It encouraged learners to take leadership positions and assist the administration wherever possible. I shall describe some of the women's groups that I visited.

The district has about 450 quarries, which were controlled by private contractors. In 1991, when the quarries were brought to auction, the contractors refused to bid at the floor price, expecting to be able to depress the price, as they usually were. The collector organised about 3,000 women workers into groups of 20 each and gave them quarrying rights at nominal rates for three years. There are now about 150 such women's groups. They were provided loans of Rs 1,000 each from the Indian Bank for tool kits, uniforms and initial working capital. The members earned a daily wage of Rs 20 to Rs 30 (a four-fold increase in daily earnings), and shared the profits every week. It has been a struggle to retain the women's contractual rights. The contractors, deprived of their quarry rights and profits, tried different ways to destroy the groups. They refused to allow trucks into the area. Help from the police had to be sought. They told group leaders that they would not be permitted to sell stones, which the contractors claimed for themselves, on account of their initial investment in the quarry.

I had the privilege of visiting several of the quarry groups in Annavasal, Thirumayam and Viralimalai talukas. The literacy campaign helped the women workers in this fight against the contractors by helping them gain confidence and learn the ropes of the business. They were able to petition the Assistant Director (Mines) at the district headquarters directly for their permits and seek his guidance in operational matters. They have now learnt to write out their own bills and receipts, and maintain their production accounts, and they can see that self-reliance is critical for ensuring the sustainability of their gains. Two of the group leaders, Vasantha and Anjalai, who were totally illiterate, showed us their accounts. They have learnt how to keep them by attending the regular Arivoli classes and with some special assistance from the volunteer. The volunteers were given special training in maintaining accounts and records for these women's groups. More and more women workers began to attend the literacy classes.

Another group I visited at Illuppur was a group that worked at cutting and polishing artificial gems, using power-run machines. There are now 56 groups of 20 women working at this trade in the district, and another 50 groups are undergoing training prior to formal registration. Involving as it does the operation of machines, in the initial phase, literate women, with a minimum of five years of school education, were organised into these groups and given loans through a nationalised bank. The earning potential in this trade was about Rs 30-40 for an eight-hour working day. The women began to repay their loan instalments at the rate of Rs 100 per week.

Seeing the earning potential of this trade, many women joined the Arivoli classes in order to be able to work at gem-cutting. They were agricultural labourers who earned Rs 6-7 for a day's work. Employment quotas were observed, for scheduled caste women, for destitute women and for others from the most oppressed sections of the rural population. The new gem-cutting trainees were all neo-literates, and neo-numerates. Numeracy is important as the cutting of the stones has to be accurate and in accordance with the calibrations on the machine.

An imaginative feature of the literacy campaign, which can be emulated by literacy workers elsewhere, was to provide bicycles to women. Almost 1,500 bicycles were made available in the rural areas through low-interest loans to Gram Sevikas, anganwadi workers, and others. 'Cycle-rallies' and bicycle demonstrations by women were also organised.

The levels of achievement of literacy and other basic cognitive skills varied, of course, within hamlets, and within centres. At the same time, a major strength in Pudukkottai has been the even distribution of master trainers over all panchayats. They are in the ratio of one for every 20 volunteers. It should be possible to use their services for further training. This is important, as volunteers are often too young and inexperienced to sustain the interest of learners, especially when learners are adults who often require more experienced trainers.

Nizamabad District

The total literacy campaign in Nizamabad began with a survey and 'environment-building' work by the

Nizamabad Zilla Aksharasyatha Samithi, in September 1991. According to the 1991 Census, Nizamabad has a population of 21.49 lakhs, of whom only 21.7 per cent were literate. The survey identified 4.5 lakh learners in the district in the 15 to 35 age group. Teaching began in December 1991 and continued till July 1992. The district was declared 'totally literate' on August 15, 1992, with an estimated 3.5 lakh learners having achieved levels in accordance with the NLM norms.

The TLC in Nizamabad took a form that differed from those described above. Nizamabad is an area where Naxalite activity is particularly high and the TLC could not get off the ground if it had to face Naxalite hostility. Normal life is often disrupted by violent incidents, the law and order situation is very problematic, and people are often not willing to leave their homes after dark. During the initial survey and mobilisation phase, the atmosphere was quite tense and district officials had to move in villages with armed security men. They were unable to make much progress or generate the atmosphere of openness among the people that is essential for a campaign. The Naxalite groups then made an announcement through the local press that they would support the Campaign for Total Literacy as this was a pro-people programme. This eased the tension considerably and permitted the programme to develop in the district.

A second problem was the extremely low literacy rate in the district, as low as 16 per cent for females in the rural areas. It was hence difficult to get older, experienced volunteers. Most of the volunteers were young, middle or high school students.

Thirdly, almost 50 per cent of the learners in the district are bidi workers, most of them women. They sit in worksheds, and that is where their centres run too. They learned to read and write, but being under the supervision of the contractors, it was very difficult to make them aware of their rights or organise them to demand that even basic facilities, such as drinking water and toilets, be provided them by the contractors. Deductions are made from their wages for medical contributions, rents of worksheds and transportation costs. They do not know if their provident fund contributions are remitted regularly. They continue to face shortfalls in raw material, especially *tendu* leaf. The location of the literacy centres, the inexperience of the volunteers and the lack of involvement of the bidi workers' trade unions in the TLC, limited its scope in the district.

The lack of local organisations has meant that the entire campaign has been led by the officials, government machinery. At the district level, special officers were appointed for each mandal. It was primarily the responsibility of these officers to develop mandal-level organisers and panchayat and village-level coordinators.

Given this background of the district, special efforts had to be made to secure public participation, and not keep the TLC restricted to being a 'government programme'.

The TLC created great enthusiasm among the poor and among women, especially Muslim women. Celebrations, competitions and other programmes were arranged at frequent intervals; these included a Mahila Prerana Utsavam (festival for the motivation of women), sports events, songs and rangoli (colourful floral patterns) competitions. Health camps and baby shows (!) were organised for general health awareness and also for specific issues, such as the prevention of gastroenteritis. Opportunities were provided to volunteers and learners to speak on the local radio station of their experiences. Camps were organised at which small peasants met functionaries from the agriculture and veterinary departments. These activities provided people with a space for expression and social interaction.

As it happened, in Nizamabad, four senior district-level administrators took it on themselves to work hard at the literacy programme in exceptionally difficult circumstances. They perceived this programme to be an entry point, the first step towards improving the implementation of other district-level development programmes.

A campaign such as the one in Nizamabad depends very much on the specific person who leads it. A case in point is the Bodhan subdivision, which performed much better than the others in the literacy campaign. The sub-collector of Bodhan personally motivated people to join the literacy programme. He collected a group of local singers at his residence, they composed and practised literacy songs together and produced them in the form of an audio-cassette with the assistance of All India Radio. He visited the centres often and tried to solve local development problems immediately. The same progress in the literacy campaign did not take place in other areas.

The establishment of mass literacy is a task that calls for sensitive and well-coordinated administrative skills and a political commitment that few governments in post-Independence India have had. Without mass organisations of the poor, without mass participation in programmes of social and economic development, and without the universalisation of primary education, the gains of the literacy campaign will be difficult to sustain.

DESTINATION L.S.E.

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An Education Commission Reports

Tapas Majumdar

The education commission set up by the West Bengal government under the chairmanship of Ashok Mitra has, by implication at least, left us in doubt about what it thought of the state of education in the state.

THE government of West Bengal had set up an education commission in August 1991 under the distinguished chairmanship of Ashok Mitra. It was asked to look comprehensively into the state of education in West Bengal since 1977. The base year was considered an important landmark presumably because a Left Front government in its present shape had first come to power in West Bengal that year. The education commission completed its task and submitted its report just within a year (by August 1992), which must be by itself regarded as quite a commendable achievement, considering the spread and unevenness of the educational terrain that the commission had been called upon to cover.

The setting up of an education commission has usually been universally accepted as both an important event and a well-meaning gesture in India. Having appointed a commission, government too normally accords its report all respect even when it has reasons to heartily disagree with some of its crucial recommendations and is eventually found loth to implement even those measures that it pretends to endorse. Political parties in India canvassing diametrically opposed policies on almost every other aspect of life have also been known to pay obeisance to the same education commission reports: Recall, for example, the generous treatment and good press accorded to the report of the education commission headed by D S Kothari (1964-66); in contrast to how its follow-up, the National Education Policy (1968), was received. The truth of the matter is, people in this country, even governments, have been accustomed to find a body of the stature of an education commission to be not only wise but also reasonably detached if not wholly objective, and to be willing to raise public debate on genuinely controversial issues. It is usually *not* seen merely as a vendor of settled government policy. Lest this characteristic be attributed only to the strength of our democratic polity, I must add that the tradition in this respect goes back even to British times. We would find it if we read again the Report of the Calcutta University Commission (1919), for example, over which Michael Sadler presided and on which Asutosh Mookerjee not only sat as a formidable and turbulent colleague but also influenced its outcome.

The Ashok Mitra commission report too deserves to be placed in the same class as that of its many distinguished predecessors. My only disappointment however is that it has not always been able to distance itself sufficiently from specific partisan positions of the government with the finesse of a Sadler, Radhakrishnan or Kothari. Even so, in the end, some of its recommendations (like increasing student fees fairly drastically, enforcing accountability of errant and often truant teachers, banning private tuition) are, in effect, challenges thrown in the face of the Left Front government. We will have to wait for some time before the West Bengal government can recover its composure and respond.

It was only in 1981 that the last education commission in West Bengal was set up. It was called the Commission for Planning of Higher Education in West Bengal and the chairman was no other than Bhabatosh Datta. It must have been recognised by the government of West Bengal even then that in formulating education policy there was no way one could plan for 'higher' without sparing a thought for 'lower' levels. And so the

TABLE 1: BUDGETED (REVENUE) EXPENDITURE PER CAPITA ON EDUCATION IN EIGHT SELECTED MAJOR STATES, 1990-91

State	Per Capita Expenditure on Education (Rs)	Share of Education in State Budget (Per Cent)	Share of Higher Education in Education Budget (Per Cent)
Assam	206.75	20.36	7.28
Gujarat	253.92	20.94	8.21
Karnataka	209.76	21.70	16.46
Kerala	252.11	25.29	13.64
Maharashtra	222.92	18.17	8.62
Punjab	268.87	21.81	12.44
Tamil Nadu	200.46	21.21	7.71
West Bengal	250.39	26.04	11.05
All India	193.34	19.94	10.49

Note : The eight selected major states are those that are found (see Table 2) to have consistently above the all-India average literacy rates. They also have (with the exception of Karnataka) higher proportions of school enrolment in the state population. The six consistently below the average performers are Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh.

Source: *Selected Educational Statistics, 1991-92* and related papers, Ministry of Human Resource Development, Government of India, New Delhi 1993.

TABLE 2: TWO INDICATORS OF EDUCATIONAL ATTAINMENT IN EIGHT SELECTED MAJOR STATES

States	Literacy Rates (Per Cent)		Proportion of School Children in Population	
	1981	1991	1980-81	1985-86
Assam	NA	53.42	14.29	18.92
Gujarat	49.96	60.91	17.77	19.46
Karnataka	43.97	55.98	15.56	14.92
Kerala	80.51	90.59	22.11	21.05
Maharashtra	53.94	63.05	15.64	19.92
Punjab	46.72	57.14	18.23	16.97
Tamil Nadu	53.46	63.72	18.84	21.06
West Bengal	45.78	57.72	17.57	18.43
All India	41.42	52.11	15.34	16.61

Note : The literacy rates for 1981 exclude only the age group (0-4 years) while the 1991 Census excludes the age group (0-6 years).

Source: Government of India official publications including Census of India 1981, 1991 (provisional) and Education in India, various years.

Datta commission was also asked to suggest, amongst others, "measures for improving the standard of education at all levels", along with "special measures for giving a new direction to higher education in conformity with the projected requirements of economic and social growth". The Bhabatosh Datta commission had submitted its classic report in April 1984 but for all these years I have not been able to find out what the government of West Bengal really thought of it. In the event it did seem somewhat peculiar that in the setting up of the Mitra commission, the government of West Bengal found no occasion even to refer to it. The Mitra commission almost followed suit and its report also contains no detailed discussion of the earlier report.

If by asking the education commission to look at changes in the education scene since 1977 the government of West Bengal was actually fishing for compliments and an indirect endorsement of its party line, then its hopes may have been at least partly fulfilled, for the commission began its report in an extraordinary way. It started by recounting, of all things, the Left Front's election manifesto of 1977. Many of the objectives therein seemed laudable enough though they clearly fell short of being either particularly leftist or revolutionary. Promises to establish a Secondary Education Commission and enact a comprehensive public library legislation were clearly among these. On the other hand, there was the promise to take steps to fight "imperialist penetration in the cultural field". Then there was the promise to take steps towards the realisation of the right of education through all the mother tongues of the state: Bengali, Urdu, Nepali and Santhali, right up to the highest stages! All this, I suppose, was the usual brave talk before all elections and I wonder if the Left Front would particularly thank the education commission for so zealously recording it for posterity.

As to achievements, as distinguished from promises, several pats in the back the West Bengal government did have from the commission. The commission praised the government for ensuring at last that examinations were being held regularly again in West Bengal and mass copying severely dealt with. More substantively perhaps, it commended the government on two other counts: spending a relatively high proportion of the state budget on education and giving lower priority to higher education within the budgeted expenditure on education. How meaningful are these latter claims?

Table 1 below contains some information on these two points for eight major states of India. These are the states that have been consistently better than average performers in terms of educational attainments among all the major states in India. For selecting the 'group of eight' I have used only two simple indicators: the rate of literacy and the proportion of school-going children in the state populations, as shown in Table 2.

The tables seem to bear out three propositions. First, West Bengal does spend proportionately more on education out of its revenue budget than all other states. Even Kerala spends less. Though in terms of per capita expenditure on education West Bengal spends less than Gujarat, Kerala and Punjab. However, the second proposition is that the share of higher education in West Bengal's education budget is not low. It is higher than the all-India average and much higher than the shares of higher education in Assam, Gujarat, Maharashtra and Tamil Nadu among the better performing major states.

How much we spend on education, however, is not the main question that the economist has to ask. The main question is: Are we getting good value for the money spent? A look at Table 2 should tell us that the answer is: most probably, not—and this is our third proposition. West Bengal has been, not only in 1990-91 but consistently over the years, just as the education commission had thought, top of the league table in terms of the proportion of budget expenditure on education. But alas, it has remained significantly worse off in terms of literacy rates than Gujarat, Maharashtra, and Tamil Nadu, not to speak of Kerala. In terms of school enrolment it is worse off than Gujarat, Kerala, Punjab and Tamil Nadu. It is not unreasonable then to suspect that West Bengal's education system is one of the more wasteful within the relatively progressive 'group of eight' among the major states. Which is not a big pat in the back.

I would, however, be giving a very wrong impression of the Mitra commission report's thrust if I only made these possibly just captious criticisms of its government-friendly stylistic approach that irritates, and not remind the readers of the genuinely revolutionary nature of some of its recommendations that I had referred to at the beginning. Looking at these one feels that the commission could not have been entirely unaware of, or unconcerned with, the sad state of affairs that our Tables 1 and 2 together seem to indicate.

In fact, the Mitra commission has, by implication at least, left us in no doubt about what it thought of the state of education in West Bengal. In calling for substantially higher college fees, in insisting that the teachers be forced to *teach*—ensuring their accountability to society through inspection and other ways—and in demanding that the widespread malpractice of using school hours and school children for extracting money in the form of private tuition be ended, the commission had indeed bared the ugly face of academic institutions in India in a way no other previous commission had dared to do. But perhaps this was not what the government of West Bengal had actually bargained for, or even what the commission had anticipated when it had started to write its report. Perhaps only someone's irrepressible maverick character had triumphed in the end! The people of West Bengal should feel grateful for that.

SATYAJIT RAY AT 70

Photographs by **Nemai Ghosh**

Contributions collected by **Alok B. Nandi**

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Whatever he (Ray) is doing — whether he is writing, designing, acting, directing, editing, composing, or simply producing — Manikda is preoccupied by the work. When I look into his eyes, I feel I can see the whole film visualised there. I try to capture that impression in my pictures.

Nemai Ghosh

For close on 25 years, Nemai Ghosh has been assiduously photographing me in action and repose, a sort of Boswell working with a camera rather than a pen. In so far as these pictures rise above mere records and assume a value as examples of a photographer's art, they are likely to be of interest to a discerning viewer.

Satyajit Ray



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RAW in Sri Lanka

Rita Manchanda

Indian Intervention in Sri Lanka: The Role of India's Intelligence Agencies by Rohan Gunaratna; South Asian Network on Conflict Research, Colombo, 1993.

WHAT happens when in a democracy foreign policy becomes a captive to covert intelligence operators? The Iran-Contra affair is the obvious example, an object lesson on the risk of intelligence agencies hijacking the diplomatic process. Closer to home there is Pakistan's Inter Service Intelligence (ISI), a virtual autonomous power centre which is accused of directing a 'proxy war' in India. Daily, newspaper headlines denounce the subversive and terrorist activities of the ISI in India. Ministers of the government publicly accuse the ISI of being responsible for terrorist activity ranging from the training and arming of militants to the Bombay bomb blasts.

And for those who take comfort in the argument that such subversion of the foreign policy process is possible only in a presidential system of government as in the US or Pakistan, a transitional democracy where the military is part of the ruling troika, ask our neighbours across the Palk Straits. In the 80s, Colombo accused India's Research and Analysis Wing (RAW) of training and arming Sri Lankan Tamil militants.

It is the covert operations of the Indian intelligence agencies which is the subject of Rohan Gunaratna's book. His imaginative reconstruction of the role of RAW, IB, CBI and the 'Q' branch of the state of Tamil Nadu holds up a disturbing mirror image of the virtual takeover by covert intelligence operators of the handling of India's Sri Lanka policy over the heads of the ministry of external affairs (MEA).

Gunaratna's book stands out as the first systematic attempt to track the role of the intelligence agencies in India's Sri Lankan operation. He maintains that it was RAW which ran the country's Sri Lanka policy. From the training and the arming of the Tamil militants to conducting a 'proxy war' through the covert Tamil National Army to undermine the LTTE-Premadasa negotiated truce, it was RAW which juggled the dual policy of counterbalancing the arming of the LTTE with working for a political resolution. MEA was kept informed on a need-to-know basis.

Of course, the view is from Colombo and may even be a sponsored one for Gunaratna had access to top secret documents in Sri Lankan government files. This includes the top secret communications between prime minister Rajiv Gandhi and president Junius Jayewardene through the hitherto unknown RAW channel and even the minutes of a secret meeting between the then RAW chief A N Verma and the Sri Lankan president which the ministry of external affairs was not supposed to know about, though it may have been leaked to the Indian high commissioner J N Dixit through a friendly RAW agent in Colombo.

The Colombo documents lend impressive credibility to Gunaratna's painstaking piecing together of what the founder of RAW, R N Kao, is quoted as having described as India's 'disaster' of a policy of training and arming the LTTE (p 26; all page references in parentheses are to the book under review). But it is an uneven patchwork of press reports, interviews and the classified documents. Moreover, while there is an impressive list of people interviewed, including former foreign secretary M Rasgotra, the Indian high commissioner to Sri Lanka, N N Jha, and president Jayewardene, closer scrutiny will reveal that more often than not these were marginal players. Key protagonists like RAW chief Girish Saxena and his successor A N Verma were not interviewed nor was J N Dixit.

At an exclusive meeting in Colombo on April 28, 1988, Verma is quoted as telling president Jayewardene, "Dixit is presently not held in favour by the Indian prime minister and does not play any significant role in the process of negotiations" (p 345). The reasons cited by Verma behind Dixit's waning influence with the prime minister were "firstly, the public disclosures of payments made to the LTTE on the eve of the accord, secondly, his arrogance and overbearing attitude and thirdly by his conduct and actions which has made him extremely unpopular with Sinhalese and Tamils" (p 346).

Fact or fiction? There is no footnote to indicate the source of this information. Was it the minutes of that top secret meeting? Inevitably, in the shadowy world of covert operations, the sources will remain confidential. What makes for scepticism is when Gunaratna's sources lead him to believe that there could be secret training camps for Tamil militants in such densely populated areas in the capital as Greater Kailash Part II, R K Puram and Sadtagen (*sic*) Development Area and Green Park.

RAW's takeover of the *ad hoc* training camps for Tamil militants earlier sponsored by co-ethnic elites in the state of Tamil Nadu began in October 1983. According to senior RAW sources it was known to only six people in the prime minister's office and about 10 others, including in the RAW, and disinformation specialists threw out that the training was being done clandestinely by the militants themselves with the support of the co-ethnic political elites of Tamil Nadu.

Gunaratna claims that under Indira Gandhi a supra covert organisation comprising operatives from RAW and IB was created called the 'Third Agency' for subversive operations in Punjab and the training and arming of Tamil militants. The burden of proof rests solely on Rajeev Bajaj's article in *Surya* magazine.

The objective of the Sri Lankan operation was to destabilise India's southern neighbour and not to divide the island into two. Gunaratna quotes M K Rasgotra who was foreign secretary from 1983-84, as saying, "it was to give a message to Jayewardene" (p 53) as there had been an influx of Sri Lankan Tamil refugees in the wake of the July 1983 ethnic riots and the 'spill over effect' in Tamil had to be contained. Rasgotra did not believe that Indira Gandhi authorised RAW to subvert Sri Lanka by training and arming the militants. "Sheerest nonsense I have ever heard! I cannot imagine she would ever do it," he said (p 54)

The first concrete piece of evidence that India was subverting Sri Lanka came from a small group of Tamil youths arrested by the security forces. In his reconstruction of the trail, he details how a specially hand-picked group of young refugees from Trincomalee whose homes had been gutted in the 1983 riots were taken from Tamil Nadu to New Delhi. There they were trained in the use of 9mm pistols, AK-47 rifles, Indian SMGs, in the manufacture of parcel bombs, laying of booby traps, use of radio communication and surveillance techniques. They were then taken to Bombay harbour and taught how to identify various vessels before being sent back to Jaffna.

Subsequently, the office of the national security advisor hired a European video journalist who under the cover of being an Australian journalist made video recordings of the training camps for the Sri Lankan government. Initial training was made available in Chakrata near Dehradun, R K Puram and near the Delhi international airport. According to the director-general of intelligence and security in Sri Lanka, by 1987 an estimated 2,000 LTTE, 8,000 PLOTE, 1,500 EPRLF, 1,250 EROS and 1,500 TELO cadres had been trained in north and south India. A few months before the 1987 accord, 200 crack militants nominated from all the groups were given training in the use of surface-to-air missiles.

Jayewardene's son, Ravi Jayewardene, claims that when he met Rajiv Gandhi in

1985, Gandhi was ignorant of the covert role of RAW. Gandhi told him it was hard to believe that even half that number of youth had taken up arms. A few months earlier Jayewardene in a classified letter to Rajiv Gandhi conciliatingly proposed, "let's forget the issue of training camps... I ask you to help me prevent them from coming here with arms and also prevent Sri Lankans from seeking refugee in your country. If we can agree on a common scheme... it will enable me to withdraw armed forces".

But while a series of special envoys from India were trying to work out a political solution to the ethnic crisis arms and explosives provided by RAW continued to be smuggled from the Tamil Nadu coast to landing-points in Jaffna. The objective was to push Colombo to pursue a political rather than a military option. An escalation into a full-fledged civil war would in its 'spill-over effect' on Tamil Nadu raise the spectre of a Dravida Desam or a greater Eelam.

That the 'message' conveyed to Colombo could take the most brutal form was chillingly brought home on May 3, 1986 when a Tristar plane of Air Lanka was blown up minutes before departure from Colombo killing 16 people and injuring 41. "There is suspicion in the Sri Lankan intelligence community and even in India's defence establishment that RAW was behind the airline bomb" writes Gunaratna (p 130). To this date the culprits have not been identified.

RAW opposed the 1987 accord. It had been brokered by the PMO and the MEA. The intelligence agencies were marginal to the diplomatic process. But it was the RAW, the IB and the 'Q' branch which knew the militants. RAW cautioned that nothing short of Eelam would be acceptable to the LTTE, which had emerged as the dominant militant group.

As for the provision about the merger of the north and eastern provinces to be decided by a referendum, Gunaratna quotes Jayewardene as saying that Rajiv Gandhi gave false assurances to Prabhakaran that the referendum would never be held on the basis of a misleading brief from Dixit that the Sri Lankan president had given such an assurance to the Indian high commissioner (p 191).

When the LTTE reneged on the Indo-Sri Lankan accord and the Indian Peace Keeping Force (IPKF) was ranged against the LTTE, RAW agents continued to talk with the LTTE. Their assessment was that the military option would bog down India for decades in Sri Lanka. Therefore, on March 5 as part of the ongoing RAW-LTTE talks LTTE leader Lt Col Johnny had been flown in an Indian air force plane from Madras to Vavuniya. On his return while carrying a letter from Prabhakaran to Rajiv Gandhi, he was killed by an IPKF patrol. The IPKF was not aware of the RAW plan. Gunaratna adds, "even if they knew, it would not have mattered as they had no mutual respect for each other at least on the ground" (p 265).

And to corroborate his assertion he quotes from GOC IPKF Jaffna, Lt Gen Sardeshpande's book, *Assignment Jaffna:* "Most of its [RAW's] operatives were amateurish, methods ludicrous and processing of intelligence selectively convenient. Its findings and assessment did not help us much in our 30-months venture and evoked even less confidence in its output and quality..." (p 266).

How wrong RAW was in its assessment of the LTTE was a lesson that the IPKF was to learn at great cost to life and morale of the Indian forces. Contrary to the assumption that Prabhakaran's men were urban guerrillas and would not be able to fight a rural guerrilla war, even India's trained troops in counter-insurgency were intimidated by the LTTE.

The IPKF commanders were not the only ones kept in the dark. Even Dixit did not know about the RAW-LTTE talks as he was considered *persona non grata* with the LTTE. Both Jayewardene and Dixit complained to New Delhi to put a stop to RAW talking to the LTTE, as it was felt that the LTTE had to be tamed militarily and not politically as the RAW was attempting. Gunaratna claims that to scuttle the talks between the LTTE and RAW, Dixit exposed the payments made to the LTTE by RAW to a journalist.

That the RAW, MEA, the IPKF and the Tamil Nadu government were often pulling in different directions is officially acknowledged by high commissioner N N Jha who when explaining the failure to mediate between the Tamil groups and the Sri Lankan government said, "I feel too many people got involved in this, each time a different person coming... Too many cooks spoil the broth" (p 400).

For Gunaratna it was the covert role of RAW which shaped India's Sri Lanka operation. From 1983 to the departure of the IPKF in 1990, RAW's Sri Lankan specialist Chandrashekhran alias Chandran succeeded in establishing India's position as a regional power. Jayewardene's flirtation with the US, Israel and Pakistan were effectively nipped in the bud. It had made Indira Gandhi all the more hostile to the Sri Lankan government and when the crunch came, the US adopted a hands-off policy.

RAW deliberately put out exaggerated reports of western penetration of Colombo to legitimise playing the militants card. As the former Sri Lankan National Security Minister Lalith Athulathmudali told Gunaratna, "RAW wanted a stick to beat Sri Lanka. India wanted to control her surroundings... They had an obsession that Trincomalee was being given as a base to the US—absolute rubbish" (p 342). The exchange of letters appended to the 1987 accord officially recognised that in its backyard New Delhi would not tolerate any government threatening India's security by leasing out the Trincomalee harbour or establishing a Voice of America station without Indian concurrence.

Gunaratna frames the covert operations of RAW in four phases. The first, the pre-October 1984 phase, is aimed at destabilising the Jayewardene regime. In the second phase, from October 1984-1986, RAW plays off one militant group against another in an effort to control them. LTTE emerges the strongest. The third phase, 1986-1990, is marked by RAW's unsuccessful efforts to control the LTTE. And the fourth phase is the assassination of Rajiv Gandhi by the LTTE. With the re-establishment of intelligence sharing between the Sri Lankan and Indian intelligence agencies against the Tamil militants, we come a full circle.

Gunaratna's publication coup is his disclosure of the top secret intermediary role played by RAW between the heads of government of the two countries on three different occasions. And he has been able to back this by reproducing the confidential letters exchanged. RAW's direct link with Colombo became strong in November 1986 when LTTE supremo Prabhakaran was resisting a political settlement. He wanted war. The second was just before the 1987 forced air-drop. And the third in 1988 during the IPKF operation when RAW tried to negotiate a deal between the LTTE and the Sri Lankan government.

Arguably, diplomacy is best done discreetly, with delicate negotiations insulated from the pulls and pressures of a democracy. And a source close to the RAW bosses alluded to the coup that RAW helped to pull off when through the intermediary role of RAW and its Pakistan counterpart (ISI?). General Zia-ul Haq and Rajiv Gandhi successfully worked out a solution to nearly all the problems facing India and Pakistan. In his last interview before his assassination, Rajiv Gandhi had told Barbara Crosette of the *New York Times* that had General Zia lived India and Pakistan would have worked out a resolution of "all problems". Both the foreign offices of India and Pakistan denied it. They had been kept in the dark.

What had been the secret clauses, the *quid pro quo?* In a democracy people have the right to know. And the RAW chief reports only to the prime minister. India's Sri Lanka adventure is enough of a cautionary tale about what can go wrong when intelligence agencies are allowed to hijack the diplomatic process. The mastermind behind the assassination of Rajiv Gandhi, Sivasaran, had been trained in the use of arms and ammunition, explosives, intelligence and communications in Tamil Nadu by RAW in 1984. The LTTE learnt the use of RDX used in the bombing of Rajiv Gandhi from RAW experts.

During the V P Singh government parliament did establish a committee to bring the functioning of the intelligence

agencies under its purview. Under scrutiny was whether RAW and IB had been misused to spy upon political opponents. Contrary to what Gunaratna implies, the clean sweep of all the prime minister's men did not include the RAW chief. Verma was kept on by V P Singh.

Covert operations are by definition undercover, issues of legality and illegality are blurred. As the former RAW chief Kao told prime minister Morarji Desai, "there are no legal means of collecting intelligence abroad". (See Ashok Raina, *Inside RAW*, p 69.) There are no friends or allies, only alliances of convenience. According to the former Mossad agent, Viktor Ostrovsky, Israeli counter-insurgency agency Shin Beth was training at one and the same time Tamil militants, Sri Lankan government elite troops commandos and Indian commandos, but in different camps.

Gunaratna quotes from K Mohandas's *MGR: The Man and the Myth* in which the former Deputy Inspector-General of Police (intelligence) Madras, claims policymakers in Delhi advised him to protect the Tamil militants. "If we continued along the known lines of investigation in the [Meenambakkam] airport blast case, the Sri Lankan government would officially take advantage of it and proclaim to the world the existence of militant training camps in India", Mohandas was told (p 109).

The name of the game is skullduggery and disinformation is a part of the bag of tricks. Prabhakaran is given out to be ill, dying and dead to cast a spanner in the LTTE-Premadasa talks. More sinister was the conscious suppression of intelligence about acts of sabotage and terror. It is not only Mossad which chose to underplay intelligence about the plan of a Shite group to attack the US Marine base in Lebanon in which 243 Marines were killed.

In the raising of its proxy force, the Tamil National Army, RAW did not let niceties such as the mass kidnapping of Tamil youths come in the way of achieving its objective. In retaliation for Jayewardene's successor, Premadasa's unilateral declaration that the IPKF should be withdrawn by July 1989, RAW had worked out a blueprint for pushing the pro-Indian north-eastern council to unilaterally declare Eelam.

TNA was used by RAW to disrupt the fragile truce between the Premadasa government and the LTTE. In an effort to create tension in areas where the IPKF had recently been withdrawn, Gunaratna claims on November 17, 1989, 700 TNA cadres attacked six police stations in the eastern province. "The man handpicked to initiate the operation was David, a senior RAW officer" (p 366). A couple of days later 600 cadres attacked a rest house, housing an army camp and the Kalumnai police station in Batticaloa district. Their victims were not only the policemen but also the recruits to the Citizens Volunteer Force which had been trained by the IPKF. Neither the chief minister of the north-east, Perumal, nor the Indian army brass knew of the operation.

Gunaratna's book is the view from Colombo. But with Indian policy-makers and the brass now coming forward with their account of India's Sri Lanka story, former sleuths may also come forward with their version. If the lesson of what happens when a country's diplomacy is hijacked by the intelligence agencies is to be properly absorbed, it is necessary to take a dispassionate look at why things went so wrong.

South-South Trade Preferences and Prospects

V V Bhanoji Rao

South-South Trade Preferences: The GSTP and Trade in Manufactures edited by Hans Linnemann; Sage Publications, New Delhi, 1992; pp 236, Rs 240.

FACTS, logic and comparative advantage may dictate North-South free trade and factor mobility; but the world's political economies are not ready for that. In the meantime it is expedient for the South to exploit whatever intra-South trade expansion is feasible. In such a context, explorations into South-South trade preferences are welcome. The volume under review is one such explorative venture.

In April 1988, an agreement on Global System of Trade Preferences (GSTP) was signed at Belgrade by 46 members of the Group of 77. Ratification by 15 signatories will bring the agreement into force. The idea of GSTP among developing countries was proposed in 1976 at UNCTAD-IV (Nairobi). Within UNCTAD, however, while the Group of 77 pushed the idea, OECD and eastern European countries opposed it. Linnemann in his introduction notes: "After 1983, most of the preparatory work for the GSTP would seem to have taken place outside the UNCTAD framework as such, with India taking the lead" (pp 14-15).

The volume reports the findings of a research project undertaken at the Economic and Social Institute of the Free University, Amsterdam, under the auspices of the Indo-Dutch Programme on Alternatives in Development which in turn was sponsored jointly by the Indian Council of Social Science Research and the Dutch Institute of Social Science Research in Developing Countries. Hans Linnemann, Pitou van Dijck, Els Hoogteijling, Herman Verbruggen and Cees van Beers wrote the various chapters.

Since most low income countries have relatively high levels of import tariffs, the key question is the extent to which a preferential lowering of tariff and non-tariff barriers leads to growth in South-South trade in manufactures. This is the principal concern of the book under review.

Preferential Trading: Rationale and Feasibility

Chapter 2 deals with the rationale and feasibility of preferential trading among developing countries. After describing the benefits of trade liberalisation *a la* Krueger, Bhagwati, Srinivasan etc, the following warning is given:

> In a rationed economy or in a situation in which price controls are widely used and the exchange rate is overvalued, liberalisation of the trade regime may have negative consequences for production and welfare, as has been the experience with several liberalisation attempts (p 25).

The above warning should not be interpreted as a negation of the benefits of trade liberalisation; instead, it is an affirmation that along with trade liberalisation (or well before a high degree of trade liberalisation) one needs to ensure that price controls are removed and the exchange rate is market determined. Inevitably also, attention has to be paid to the impact of liberalisation on employment, poverty and welfare in general.

Does trade liberalisation (reducing tariff and non-tariff barriers) definitely lead to gains from trade via reduction in domestic costs and prices? Where, for instance, duties are kept very high, the difference between current domestic price and world market price adjusted to duty may be so great that a relatively low reduction in duty may not have any impact on the domestic price. In addition, tariff reduction may have reduced impact when there are non-tariff barriers alongside tariffs.

What are the obstacles on the way to creating a preferential trading system (PTS)? The chief obstacle arises when the PTS members as a group suffer a reduction in welfare. For realising welfare gains through PTS, the required conditions are: import demand should be price elastic (thus, as PTS partners reduce tariffs and costs, trade expansion takes place), price differences among countries should be large and, of course, price differences between PTS members and the rest of the world should be small (otherwise, imports from the rest of the world will surge).

Relatively small markets in partner countries and inefficiency of domestic industries compared to those in partner countries hinder domestic industrial expansion in a PTS. An implication is that large countries are attractive as members of a PTS and thus enjoy a bargaining position in its formation. But there is a danger that even inefficient industries in the large countries may outcompete industries in small countries simply because of the existence of some economies of scale

in the former prior to PTS. Thus even though in the post-PTS regime the small country costs will be lower at the post-PTS aggregate demand level, at the time of PTS negotiations, however, costs may appear relatively lower in the large country and hence confer a bargaining power on that country's inefficient industries.

GSTP Mechanisms

The third chapter deals with the historical evolution of GSTP and GSTP mechanisms. It all began with the disenchantment of developing countries with the results of the Kennedy Round (1964-67) of GATT. The various initiatives since then resulted in the presentation of a proposal to establish a preferential trading system among developing countries at UNCTAD-IV in Nairobi in 1976. At UNCTAD-V in Manila (1979), the Group of 77 called for the establishment of an UNCTAD Trade Information System as a support mechanism for negotiating the PTS. The system came into operation in September 1981. In October 1982 a GSTP Committee was established to prepare and conduct the negotiations. Finally, in April 1988, 46 members of the Group of 77 signed the agreement establishing a framework of rules for a PTS. Bilateral trade preferences negotiated between those countries during 1986-88 were multilateralised.

"The GSTP intends to reduce tariff and non-tariff barriers and aims at an even distribution of the overall benefits of such reductions among participating countries" (p 60). While all tariff and para-tariff concessions are to be given on a most favoured nation (MFN) basis to all countries participating in the negotiations, least developed countries will enjoy the preferences without the need to reciprocate. Also, existing/future preferences among regional groupings need not be extended on the MFN basics.

In GATT negotiations, the earlier product-by-product approach has been found to be complicated and time-consuming. From the sixth GATT round, the focus was on the formulation of across-the- board tariff cuts, with exemptions. This continues to be the preferred approach.

As for non-tariff barriers (these are relatively more significant than tariff barriers in the developing countries) a standstill on them is required during the period of negotiating tariff reductions. Exception to this is envisaged in respect of the least developed countries.

In respect of rules of origin, one option is the percentage criterion. This involves the specification that a certain minimum percentage of value added should have occurred in the country exporting a product under PTS. The other option is to specify a required degree of transformation of input into output such that, for instance, the two fall under distinct CCCN (Customs Co-operation Council Nomenclature). This criterion is also referred to as a 'BTN Jump'. The first option is simple to operate. Thus the ASEAN PTS, for instance, has a stipulation of at least 50 per cent value addition. In the GSTP, both options are to be used in different product categories.

The circumstances when safeguard measures are needed are when a country has balance of payments difficulties or when domestic producer are threatened by a sudden increase in imports under PTS. In GSTP, it is envisaged that the safeguard measures should be applied in a non-discriminatory fashion among the participants.

Current Realities and Future of GSTP

As noted earlier, governments accustomed to customs revenue and industrialists deriving protection from trade barriers may not be expected to wholeheartedly move towards a high degree of trade liberalisation. This message is brought out in Chapter 4 with the help of quantitative analyses.

Trends in trade in manufactures are studied in Chapter 5. South-South exports as a proportion of total exports did show an increase in the post-1970 period except that in the mid-1980s the proportion declined marginally. There is scope for expansion of South-South trade in manufactures, especially in capital goods.

The structure of protection and South-South trade in manufactures is the subject of investigation in Chapter 6. "The observed wide inter-country difference in average tariff levels poses a number of serious problems, assuming that in the first instance a linear across-the-board approach to tariff cutting is adopted" (pp 169-70). Since GSTP uses a linear percentage reduction, the problem of unequal concessions will dominate any negotiations in future. (Note that a 20 per cent cut leaves an 80 per cent tariff at 64 per cent and a 40 per cent tariff at 32 per cent; this is the inequity.) The protection regimes are also characterised by high rates of protection for labour-intensive consumer goods and relatively low rates for capital goods.

Chapters 7 and 8 are the most useful and worthwhile chapters in the entire volume. Chapter 7 indicates the potential for trade expansion based on prevailing (1980) commodity composition of trade in manufactures. The conclusion that emerges is that a few strong countries will gain the most from GSTP in the short run. The analysis, however, has little significance for the long term as the next and final chapter shows.

The final chapter looks at the possible effects of GSTP tariff reduction. The following conclusions are significant: (1) A 20 per cent linear tariff cut leads to a 5.5 per cent growth in South-South manufacturing trade, while a 50 per cent cut leads to a 15 per cent trade expansion. (2) The long-term effects in both instances are much larger (14 per cent and 42 per cent trade expansion, respectively). Despite the limitations of those empirical findings the general thrust of the conclusions remains valid.

With the general distrust of the inward-looking policies, there is not much choice for development strategies except to embark on outward orientation. Without simply waiting for the Uruguay round to be concluded at some future date, some countries have taken initiatives towards PTS, resulting in NAFTA and AFTA. They reinforce the general direction of trade policy being articulated by the multilateral agencies and adopted by an increasing number of countries, especially those that cannot exercise effective regulations.

President Clinton is presently seeking extension of fast track authority to December 15, 1993 in respect of the stalled GATT negotiations. Under fast-track negotiating authority, Congress can consider the package in its entirety without offering amendments. (Under earlier authority due to expire on June 15, the GATT package should have been ready by March at the latest.) Meanwhile the Japanese cabinet approved a report recommending continued self-sufficiency in rice, opposing the Dunkel draft proposals on farm products to replace all farm import barriers with tariffs. While the trade frictions between the US, Japan and Europe continue, it will be good if GSTP makes progress.

As the data in the accompanying table show, between 1985 and 1991 world exports almost doubled from $ 1.8 trillion to $ 3.5 trillion. Exports from the South, however, did not expand at the same rate. Thus, South did not maintain its exports share, let alone obtain an increase. However, South-South exports rose in terms of their share in South's total exports. Extrapolating on these trends, one should recommend not only more South-South trade, but also a higher share for the South in world trade. Both can be achieved within the context of global rather than just regional trade liberalisation.

Table: World Exports and South's Share

	1985	1988	1991
World exports ($ billion)	1813	2690	3454
South's exports ($ billion)	544	706	957
South's share (per cent)	30.0	26.2	27.7
South-South exports ($ billion)	164	229	328
South-South share in South's exports (per cent)	30.0	32.4	34.2

Source: IMF, *DOT Stat Yearbook, 1992*

Structural Maladjustment
Bangladesh's Experience with Market Reforms

Rehman Sobhan

Bangladesh's reform programme remains in deep crisis because it has, over a decade, failed to accelerate growth, diversify the economy, stimulate investment and domestic savings and create the basis for a sustained growth process which can lead to greater self-reliance and substantial reductions in mass poverty. It may be convenient for the IMF and the World Bank to blame successive governments in Dhaka for their failure to implement reforms and for current Bangladeshi regimes to attribute the poor results to the malfeasance of their predecessors. But a decade of economic stagnation needs more substantive and less self-serving diagnosis if Bangladesh is to join the ranks of a resurgent South Asian region, let alone its more dynamic neighbours to the east.

I
Introduction

BANGLADESH has been exposed to a decade of structural adjustment reforms. In fact Bangladesh had initiated a number of economic reforms some of which date back to the mid-1970s which could fall within the construct of structural adjustment reforms. These included measures to expand the role of private enterprise, reducing subsidies on agricultural inputs, some measure of exchange rate adjustment and massive monetary reforms to reduce inflationary pressure on the economy [Islam 1977].

It is thus somewhat misleading to periodise a reform process since policymakers in Bangladesh and indeed in many other developing countries have been reforming various facets of the economy in the direction of promoting private initiative, competition and market forces over two decades. The point of departure in Bangladesh has however been that the reforms of the period 1972-82 were largely undertaken in response to specific problems faced by the economy at the time and short-term exogenous shocks. The reform process since 1982 has been much more holistic in its coverage, attempting to change the entire direction of the economy towards a private enterprise dominated market economy. This is not to say that prior to 1982 the Bangladesh economy was a largely command economy since the contribution of public enterprises to GDP did not exceed 15 per cent which was well below levels in Taiwan, Malaysia and even the Republic of Korea [Sobhan and Ahmad 1980]. This was not surprising in a small farmer dominated agrarian economy with a large service sector. Thus even the changes initiated since 1982 are part of a continuum in the process of reforming what was and remains a mixed economy.

In this short paper it is intended to briefly review the area and phasing of the reforms and to review the reform processes in the context of that period. We will then discuss the outcome of the reform process in the area of growth, structural change, privatisation and economic openness.

II
Course of Reform

The term structural adjustment (SA) has originated from the Bretton Woods Institutions (BWI), the World Bank and the International Monetary Fund (IMF). The adjustment process as used by the BWI is better understood as an instrument for realising certain goals rather than as an end-product of development. The SA process thus emphasises such institutional changes as the substitution of the public sector by greater economic activity by the private sector, the use of market forces to guide production and allocative decision and the attempt to expose an economy to greater openness in the way of import liberalisation and export promotion. These instruments are deployed through the medium of policy reforms and institutional changes. However it must be kept in mind that the reforms are not ends in themselves. They are intended to promote more sustainable economic growth, investments, exports, better living conditions for all segments of the population and greater democratisation of economic opportunities.

Post-Liberation Reform Process

In the post-liberation period after December 15, 1971, Bangladesh inherited a rather over-regulated economy based on import controls, foreign exchange rationing, an overvalued exchange rate, subsidised pricing for food under public distribution as well as for publicly provided agricultural inputs and institutional credit. About 34 per cent of the value of fixed assets in the modern manufacturing sector was contributed from public enterprises [Sobhan and Ahmad 1980].

In the aftermath of liberation the share of public enterprises in manufactures increased by another 43 per cent because of enterprises abandoned by the Pakistani owners, who had prior to independence dominated the trading, financial and modern manufacturing sector of pre-liberation Bangladesh. As a result the state expanded its role in manufacture, banking, insurance and trade. Some nationalisation of local capital took place but since the indigenous bourgeoisie was underdeveloped and had only evolved over the previous 10 years under heavy state patronage, the decisive influence in expanding the public sector was the circumstantial pressures arising out of independence rather than a categorical commitment of the ruling party to build a command economy.

The post-liberation regime in fact, *ab initio*, committed itself to divest some two-thirds of the smaller abandoned enterprises over which it had assumed control in December 1971. It had also begun a process of bringing the price of public goods closer to the market price, had carried out two devaluations of the taka in December 1971 and again in March 1975 and had introduced, at the end of 1974, the most severe measures of monetary contraction undertaken before or since, which contributed to a drastic reduction in the rate of inflation by the autumn of 1975 [Islam 1977]. However at the time the regime changed in August 1975, the direction of the economy was not significantly different from what it was in the 1960s.

Reforms in 1975-82 Period

During 1975-82 more emphasis was put on promoting private sector development.

Whilst successive regimes continued to disinvest those abandoned units so listed by the post-liberation regime, they did very little to divest themselves of the 77 per cent of the modern manufacturing sector retained under public ownership and managed by a number of large public corporations. Some jute spinning units, specialised textile mills, some tanneries and rerolling mills were divested. However, the emphasis of the government at that time was to expand the scope for private economic activity at all levels of industry, in trade, banking, insurance and distribution of agricultural inputs where it was expected that public and private enterprise would operate in competitive coexistence. However the instrument of choice of that regime was massive lending to prospective private enterprises through the public sector development finance institutions (DFI). This same model had already been tested in the 1960s under Pakistani rule, where first a Pakistani and then an embryo Bengali entrepreneurial class had grown up under the patronage of the Pakistan state. Since 1977, close to billion dollars were obligated to private entrepreneurs in Bangladesh to promote investment in industry, transport, trade and construction.

Short-term shocks to the economy, largely due to the rise in energy prices, but also due to a strong deterioration in Bangladesh's terms of trade, had led to the monetary stabilisation and exchange rate adjustment programme of 1974-75. A similar deterioration in the macro-economic balances again drove Bangladesh to the IMF in 1980 for short-term financing under the Extended Fund Facility (EFF) [Matin 1986]. Whilst the adjustment programmes undertaken in 1974-75 were largely directed by the government of Bangladesh's (GOB) own compulsion, the IMF under the terms of the 1980 EFF, committed to lend $800 million to Bangladesh. It demanded significant reforms in the budget, monetary and exchange rate policies of the GOB in 1980 [Matin 1986]. However, disbursements under the 1980 EFF were suspended in March 1981 after the disbursement of only $20 million, due to the failure to keep within agreed borrowing targets. Interestingly enough the present finance minister was also finance minister in 1980-81. He has since argued in a paper presented to an academic seminar in January 1990 that the suspension of the EFF in July 1981 was unjustified due to a mechanistic application of conditionality provisions [Sobhan 1991b]. The IMF did not take account of the compulsions of the GOB to domestically procure foodgrains under the Public Food Distribution System (PFDS) to support prices in the wake of a bumper food crop in the winter of 1980-81 [Sobhan 1991b].

Reforms since 1982

Notwithstanding the suspension of the EFF disbursements, the deteriorating macro-economic balances in the economy kept the GOB under pressure from the BWI to carry out a stabilisation programme. The new martial law regime which seized power in March 1982 was more responsive to BWI pressures and initiated a series of measures to improve its balances [Rahman 1991].

However by the beginning of the 1980s the BWI had embarked on its course of structural adjustment reforms throughout the third world. Most such countries had for reasons similar to Bangladesh in 1980-81 faced severe exogenous shocks both due to the adverse movement in their terms of trade and for some, due to the escalation in debt service obligations due to the global rise in interest rates and the recessionary economic conditions in the global economy triggered off by the tight money policies of the Volcker-Reagan administration in the US at the beginning of the 1980s. With the resultant collapse in commercial bank lending the BWI emerged as the primary source of finance and intermediation with the commercial banks for purposes of debt rescheduling which gave them unprecedented leverage in directing reforms within affected third world economies. The BWI however chose to treat the macro-economic instability of 1980-82 not as the result of a short-term exogenous shock but as the outcome of longer term structural maladjustment in most third world economies as a result of faulty policies. It thus used its critical position in the global financial system to pressurise all its prospective borrowers to embark on an agenda of macro-economic stabilisation backed up by an agenda of reform which broadly covered the areas of import liberalisation, exchange rate adjustments, financial deregulation, fiscal reforms, desubsidisation of public goods, and development of private enterprises. These reforms were intended by the BWI to make most third world countries more likely to realise a path of sustainable growth based on a more outward oriented development strategy [Sobhan 1992b].

From 1982 onwards Bangladesh went though a similar pattern of reforms indicated above. During the period 1986-89 Bangladesh again took recourse to the IMF under its Structural Adjustment Facility (SAF) and again between 1990-93 took resort to the IMF's Enhanced Structural Adjustment Facility (ESAF) [Rahman 1991]. Both programmes involved agreement over a Policy Framework Paper (PFP) negotiated between the GOB and IMF which sets out the agenda of macro-economic reforms during the period. The commitment of the GOB to the PFP provides the seal of approval of the other aid donors to pledge aid to Bangladesh every year in April at the Aid Consortium meeting convened by the World Bank in Paris. The PFP negotiated by the GOB with the IMF in Washington in August 1990 is currently the guideline for the prevailing economic reform agenda. It spans three regimes, that of president Ershad (ousted in December 1990), the interim government of president Shahabuddin Ahmed (December 1990-March 1991), and the incumbent government of prime minister Khaleda Zia, elected to office in March 1991.

Reform Package

The PFPs are backed up by series of SA loans extended by the World Bank and Asian Development Bank as either programme or sector loans. These loans provide cash foreign exchange to the GOB to carry out a series of policy and institutional reforms in particular sectors or areas of the economy. Some of the areas covered by these loans include the Industrial, Energy, Financial and Agricultural Sector loans from the World Bank and the Food Crop Sector loan and Industrial Sector loan of the Asian Development Bank.

The IMF related loans commit the GOB to a regime of macro-economic stabilisation on its budgetary and balance of payments account, monetary stability and competitive exchange rates. The sectoral loans of the World Bank and ADB cover such areas as desubsidisation of agricultural inputs and public utility services, financial deregulation, import liberalisation, fiscal reforms, divestiture of public enterprises, improved revenue collection and management of public utilities.

It should be kept in mind that some of these reform programmes predate the era of structural adjustment. The World Bank and USAID have since 1977 been introducing conditionalities into various lending programmes to disengage the GOB from distribution of fertiliser and control over irrigation equipment through the Bangladesh Agricultural Development Corporation (BADC). Similar pressure has been applied to reduce the GOB's involvement in the PFDS and particularly to end the subsidised food rationing system to the urban areas. Discrete pressure to promote privatisation has been applied from the 1970s and substantial resources from the World Bank, ADB and KFW Bank of Germany have been channelled through the DFIs to promote lending to the private sector [Sobhan 1991b].

In the remainder of this paper we will briefly discuss the extent to which these reform agendas have been put in place and

will then go on to discuss some of the outcomes of these reforms.

II

Macro-Economic Reforms

The GOB has put in place a programme of budgetary stabilisation through measures to enhance public revenue collections and reduce public expenditures. The fiscal deficit has fluctuated between 7-9 per cent of GDP (Table 1) It rose to 11.2 per cent in 1982-83 and was then reduced through a programme of expenditure cuts. In the latest year, 1991-92, the deficit is down to 5.2 per cent of GDP [World Bank 1993]. This would suggest some success in budgetary stability. In fact the concept of budgetary stability as a measure of macroeconomic performance is somewhat meaningless for an essentially aid dependent economy.

Bangladesh's budget deficit, measured as the gap between public expenditures and revenue, is in fact inherent in its dependence on aid. Annual commitments of development aid to Bangladesh imply that the government must plan to spend more than it earns to accommodate the disbursements of external aid. The size of the budget deficit is thus determined less by the budgetary management skills of the GOB and more by the actual commitment and disbursement of development aid by its donors. While disbursements are high due to improvements in disbursement procedures and more effective aid utilisation by the GOB, the deficit will increase. Conversely, a reduction in the deficit means a decline in the level of development expenditure and deterioration in aid utilisation. This trend is clearly manifest as an explanation of Bangladesh's low budget deficit in 1991-92.

Table 1 shows that the share of the Annual Development Expenditure (ADE) to GDP has declined from 10.6 per cent in 1980-91 to a low of 5.8 per cent in 1991-92 [World Bank 1993]. This unremitting decline over the last decade has reflected a growing weakness in the development effort. Correspondingly the aid utilisation ratios have also declined from a measure of 115.7 per cent in 1980-81, 93.7 per cent in 1990-91 and 94.3 per cent in 1991-92. Project aid utilisation ratios (20 per cent of the opening pipeline of aid in the current year) have declined from 139.8 per cent in 1980-81 to 100 per cent in 1990-92.

The reduction in the budget deficit was thus not realised by a significant cut in total public expenditure (TPE) but a contraction in development expenditure. Thus the revenue expenditure-GDP ratio has risen from 6 per cent in 1980-81 to a high of 9.6 per cent in 1988-89. In 1989-90 to 1991-92 it averaged 8.9 per cent. Thus the TPE/GDP has remained in the region of 15/16 per cent

The slight improvement in the revenue collections in the last two years has helped to underwrite the rising volume of current expenditure so that the budget deficit has not risen as it was doing in the 1985-90 period due to rising current expenditure. The current fall in the deficit however remains the end-product of declining development expenditure and remains a measure of the weakness of the development effort over the last decade. There are many reasons for this relating to weak governance and low administrative efficiency which need more extensive discussion than is possible in this paper [Sobhan 1993a].

Stabilisation of External Account

Bangladesh's macro balance on external account is also an artificial construct determined by the volume of aid disbursements. An improvement in the balance of payments usually reflects a decline in the share of imports. The import/GDP ratio has in fact declined from 17 per cent in 1984-85 to 15.1 per cent in 1991-92 (Table 1). Merchandise imports in nominal terms have stagnated and in 1991-92 stand at $3.46 billion compared to $3.76 billion in 1989-90 [World Bank 1993]. In real terms import values have been declining over the last five years. In contrast, exports have done better and the export/GDP ratio has risen marginally between 1979-80 and 1990-92 though it is still about the same level it was today as it was in the mid 60's when jute was king. Today garment exports have been doing exceedingly well to compensate for the decline of jute. But we have that only 15-20 per cent of the export earnings from garments are retained at home means that the net increase in earnings has been less dramatic. Similarly the rise in earnings from overseas remittances has made a significant contribution to our external earnings, rising from $379 million in 1980-81 to $848 million in 1991-92 [World Bank 1993].

However, the reduction in our external deficit owes little to these success stories and derives largely from import stagnation. Had in fact Bangladesh sustained its import/GDP ratio at even the mid 1980's level, the external gap would have been wider by at least 2 per cent of GDP. It could have been higher if the economy had been more dynamic and the import/GDP ratio rose. It was thus the sluggish demand for imports and low level of development activity which led to weak aid utilisation which compressed the external resource gap. In these circumstances we have much less cause for optimism about Bangladesh's path to self reliance if this in fact derives from economic recession and ineffective aid disbursement. Thus Bangladesh's external reserves by June 1992 were at an all time high of $1.7 billion which is equal to six months of imports compared to the traditional one and half months sustained by its reserves through the 1980s. Bangladesh's aid pipeline has now swollen from $2.86 billion in 1980-81 to $5.84 billion in 1991-92 [World Bank 1994]. As a percentage of annual imports this reflects a rise from 121 per cent to 166 per cent.

Bangladesh's full reserve coffers and bulging aid pipeline are now exercising a negative effect on our real effective ex-

Table 1: Fiscal and External Sector Indicators

(Per cent of GDP)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
Government Account												
Total revenue	9.3	8.8	8.8	8.2	8.6	9.2	8.9	9.0	9.1	9.1	10.0	11.0
Total expenditure	18.4	17.4	19.9	17.3	15.3	16.8	17.3	16.8	16.5	16.6	17.1	16.2
Fiscal deficit	-9.1	-8.7	-11.2	-9.2	-7.2	-7.6	-8.4	-7.8	-7.4	-7.4	-7.1	-5.2
External financing	6.5	7.9	9.8	8.0	6.9	6.8	7.5	7.5	7.3	6.2	6.5	5.9
Development expenditure	10.6	9.6	8.4	8.5	8.4	7.3	9.1	6.9	7.0	6.4	6.5	5.8
External Account												
Export	5.0	4.7	5.6	5.7	6.5	5.8	6.6	6.0	6.5	6.9	7.6	8.7
Import	17.7	19.4	18.5	16.6	18.3	16.8	16.0	16.6	17.1	17.5	18.4	15.1
Current account deficit	-10.0	-12.0	-8.4	-6.7	-9.1	-7.7	-5.9	-6.2	-7.4	-7.3	-4.1	-2.3

Sources: 1980-81—89-90: Rahman 1991.
1990-91—91-92: World Bank 1993.

change rate which has remained relatively stable over the 1980s because inflation has kept pace with the nominal depreciation of the taka. In fact at a market clearing level our exchange rate in the second half of the 1980s has remained relatively steady because buyers of foreign currency are having their needs satisfied from the aid budget and full reserve position. Pressure on the GOB by the BWI to depreciate the exchange rate is thus a command policy decision and not a market determined decision [World Bank 1993]. The problem faced by an aid dependent economy such as Bangladesh is that due to its built-in external deficit, derived from the criticality of aid to its development effort, an equilibrium exchange rate cannot be scientifically determined and must be derived from the accident of economic performance and efficiency of aid disbursement.

The ritual games played between the IMF and the GOB over the appropriate exchange rate thus remain rather academic and have little influence on the export promoting propensities of the exchange rate [Rahman 1991]. It is worth remembering that econometric exercises have shown no strong correlation between the RER and export growth which in the model has proved much more sensitive to trends in world demand [Rahman 1991]. Thus in 1981-82, when the RER depreciated 9.6 per cent due to a 23 per cent devaluation in the nominal value of the taka, total exports increased by 3 per cent and non-traditional exports not at all. However, in the mid-1980s when RER kept on appreciating total and particularly non-traditional exports such as garments expanded rapidly [Rahman 1991].

IV
Outcome of Reforms

A scientific analysis which is based on a well defined model which causally links the specific policy interventions indicated above with macro- and micro-economic changes in the economy has yet to be designed. For all their enthusiasm about promoting macro-economic reforms the BWI has yet to develop a definitive analytical design to gauge the impact of its policies around the world. The three evaluations they have carried out of their structural adjustment lending programme in the decade of the 80s have serious analytical flaws and suffer from a selective use and interpretation of data [World Bank 1992]. This has been highlighted in a number of powerful critiques of the BWI policies and evaluations [Taylor 1988, Taylor et al 1993, Singh 1993].

As far as Bangladesh goes, the World Bank's work, captured in the annual Country Economic Memorandum prepared for the Bangladesh aid consortium meeting, has been slight in its analytical rigour. What we are left with is largely some a priori statements of the merits of a policy and an *ex post* review of certain macro-economic data such as GDP growth, investment, exports and inflation rates which establish little causality between policy reforms and their outcomes.

A valuable work at the Bangladesh Institute of Development Studies by Sultan Hafeez Rahman, reviewing Bangladesh's experience with economic stabilisation and adjustment, attempts to review macro-economic performance and goes on to demonstrate that specific policy interventions such as exchange rate adjustments and monetary stabilisation did not yield the predicted results [Rahman 1991]. However this work again suffers from the absence of a holistic analytical model which can trace the interrelations of policies through the macro-economy.

Given these conceptual limitations on an analysis of policy reforms we will in this paper follow the route of the World Bank and other analysts of the economy such as Rahman and the Task Force Report on macro-economic policies and look at certain indicators of performance such as GDP growth, structural change, savings, investment, exports, price stabilisation and the privatisation process during the 1982-92 period to see whether any discernible improvements were registered in the economy compared to the previous decade where reforms were more episodic and limited in their purpose.

Macro-Economic Performance

In Table 2 we present some of the macro-economic measures of performance of the Bangladesh economy. Growth rates are naturally sensitive to the base year chosen. For our purposes we review the growth performance of the economy during 1972-75, the three years of recovery in the immediate aftermath of the war of liberation, the period between 1975-81 and then the period of intensive policy reforms from 1982 to the present. We find that the post-war years, notwithstanding the severe socio-political and institutional dislocations of the war and its aftermath, registered a robust GDP growth of 7.1 per cent pa. This in part owes to a low base but indicates that growth trends in this period remained very positive.

The post-recovery phase of 1975-81 broadly coincided with the regime of president Ziaur Rahman, first as martial law administrator and then as president. GDP growth rate in this period averaged 5.1 per cent.

In the period 1982-90, which coincided with the regime of president Ershad, again as martial law administrator and then civilian president, Bangladesh has, since 1982, been exposed to a relentless agenda of donor-supported structural adjustment reforms. In the 1982-90 period, growth averaged 3.1 per cent per year. From March 1991 an elected government came to power. In 1990-91 GDP growth was 3.6 per cent, in 1991-92 it was 3.9 per cent. In 1992-93 a growth of 3.8 per cent is forecast. This suggests that the weak growth trend of the 1980s has not really been corrected. Thus over the full decade of reforms from 1982-92, average GDP growth rates have remained below 4 per cent and thus weaker than in the two regimes of the 1970s. This is surprising if for no other reason than the fact that in the 1972-82 period, the post-war dislocations had been corrected and institutions were more securely established.

Table 2: Macro-Economic Trends in the Bangladesh Economy

	1972-73 to 1974-75	1975-76 to 1980-81	1981-82 to 1989-90	1990-91	1991-92
(1) GDP growth (per cent per annum)	7.1	5.1	3.1	3.6	3.9
	1980-81	1984-85	1989-90	1990-91	1991-92
(2) Invest/GDP (per cent)	15.9	12.8	12.1	10.4	10.3
(3) Savings/GDP (per cent)	3.4	1.9	2.2	3.2	4.5
(4) Rate of inflation (increase over previous year per cent)	12.5	10.9	9.3	8.9	6.2
(5) Sectoral share of GDP (per cent)					
(a) Agriculture	48.8	41.3	38.3	37.6	36.9
(b) Manufacture	10.6	9.9	9.9	9.8	10.1
(6) RER	100	96.53	93.55	87.58	86.27

Sources: (1) 1971-72—89-90 Rahman 1991.
1990-91 -91-92 World Bank 1993.
(2) and (3) 1980-81 Rahman 1991;
1984-85—91-92 World Bank 1993.
(4) 1980-81 Rahman 1991.
(5) 1984-85—91-92 World Bank 1993.
(6) World Bank 1993; 1980-81 figure taken from World Bank Country Economic Memorandum for 1989.

policy reforms begun in 1974, accelerated in 1977 and after, were in place, massive aid had been disbursed in support of Bangladesh's development. Thus a comprehensive programme of reform should have yielded quite significant results. What we instead have before us is sluggish economic growth compared to the 1970s and well below growth trends not just in east and south east Asia but even growth registered by our south Asian neighbours.

Agricultural Growth

This weak GDP growth was corroborated by weak growth in the agricultural and manufacturing sector. During the 1970s, agricultural growth averaged 4.2 per cent compared to an average of 1.6 per cent in the 1980s, which was below the population growth rate of 2.4 per cent [Rahman 1991]. Growth in 1989-90, at 7.7 per cent, reflected the recovery from two years of declining agricultural production in 1987-88 and 1988-89 due to floods. But this growth fell to below 2 per cent in 1990-91 and 1991-92. An excellent crop, free of weather hazards in 1992-93, promises a 5.6 per cent growth but this does little to explain the weak and unstable growth of the agricultural sector, interrupted by occasional good years. What is particularly disturbing is the erratic nature of agricultural growth. Between 1981-82 and 1991-92 agricultural growth declined in 6 out of 10 years, was negative in two years and was below the population growth rate in six years.

The weak and unstable growth has been less severe in food crop production because of the use of HYV technology and spread of irrigation. However even this performance has been constrained by the desubsidisation of inputs such as fertiliser and irrigation water needed for HYV technology. This desubsidisation has impacted most severely on the subsistence farmers whose cost of production has increased without compensatory gains from the higher prices available to bigger farmers with a marketable surplus. The rise in input prices has thus become a tax on small farmers which they pay because of their subsistence compulsions. But it has meant that they have not been able to expand input use and hence production to its fullest potential.

Trends in Industrial Sector

The trends in industrial growth was not much better. However, because of robust growth in the publicly owned utilities sector due to high rates of investment, sectoral growth was stronger. However, if we concentrate on manufacturing, the sector with maximum exposure to policy reforms, including privatisation, we find that in the 1980s, growth averaged 2.5 per cent, well below the rates registered in the 1970s. Growth was quite uneven and heavily weighted by the very robust growth of garments and leather goods. If we look at growth trends in 34 subsectors of manufacturing, we find only six sectors, sugar (public sector), garments (private sector), wooden furniture (private sector), printing and publishing (private), industrial chemicals (private and public) and fertiliser (public) registered any sustained growth. Growth in other sectors was stagnant and showed significant year to year variations.

Investment and Savings Performance

Weak economic growth is the outcome of both low rates of investment and declining efficiency of investment. We will merely look at investment trends which have registered a steady decline from 15.9 per cent of GDP in 1980-81 to a low of 10.3 per cent in 1991-92. This decline in investment rates has been continuing throughout the period 1982-92. We have already observed the trend of declining public investment which fell from 8.7 per cent in 1980-81 to 4.7 per cent in 1991-92. However, what is even more disturbing is that private investment, which was the targeted beneficiary of the reforms and privatisation programme, fell from 7.2 per cent in 1980-81 to 5.6 per cent in 1991-92. These investment trends indicate that during the high tide of the reforms real investment growth declined in absolute terms in the public sector and was stagnant in the private sector. Indeed levels of private real investment may even have declined in absolute terms.

Low investment rates tend to reflect dismal rates of gross domestic savings (GDS) and weak aid utilisation. GDS remained below 4 per cent throughout the 1980s and in some years was around 2 per cent. In 1991-92 however there is some improvement in the GDS rate. Low savings reflect a weak capacity for domestic resource mobilisation which has been both the cause and effect of high rates of dependence on external resource inflows [Sobhan 1984, 1990]. Low savings rates have transferred the burden of underwriting development on to external resource inflows. However weak utilisation of aid, manifest in low public investment, has kept total investment rates depressed.

Export Trends

We have already observed that positive areas of performance have been observed to be in the export sector. Export growth owed to the dramatic escalation in garment exports, which registered substantial creation of new employment, and to a lesser extent in leather and frozen fish. Total export growth in the 1980s averaged 7.7 per cent of real growth which was double the growth rate in the 1970s. This compensated for the decline in the traditional export sector of jute and jute goods which has become a major casualty of the changing trends in global demand for jute products.

The disturbing feature of Bangladesh's export performance has been the very slow progress in building backward linkages with the domestic textile sector. Investments in the modernisation of the textile industry, which has been in place since the 1930s and upgradation in the product quality of the handloom industry, could have ensured that Bangladesh could have retained around a billion dollars over the last 5/7 years which has gone to pay for imports of all intermediate inputs in the garment industry [Sobhan 1992a].

It has been argued that very little of the growth in garment exports owed to changes in Bangladesh's macro-policies. In fact during the period of maximum growth, the REER was appreciating [Rahman 1991]. The growth originated from the market niche created for low cost garment exports under the Multi Fibre Agreement (MFA). However the response from small/medium entrepreneurs has been impressive and demonstrates that private entrepreneurship has great promise in areas where markets are secure, investment finance needs are modest, technology assimilation is easy and a system of back to back financing of letters of credit provides a ready supply of working capital free of the hassles of import regulation. Thus the garment sector is a demonstration of what some sensible policy support directed to entrepreneurs, dealing within their financial level and managerial competence, can achieve. However, it is arguable that a more purposeful government, such as in the Republic of Korea, would have intervened much more positively to capture the backward linkage effects of the garment exports and would have taken the lead in promoting further exports in such labour intensive areas such as finished leather products and consumer electronics [Rahman 1991].

Inflation

Another area where reforms may have had same beneficial effect is in the relatively low rates of inflation which averaged around 10 per cent. This has in the last two years fallen to around 5 per cent. Some of this low rate of inflation owes to the weightage of foodgrains in the consumption basket. A long-standing policy of keeping food prices stable has thus contributed to this lowered rate of inflation, particularly in the year 1992-93, where a bumper crop has led to a fall in

foodgrain prices on the open market.

Rahman and Shilpi have estimated an econometric model which indeed suggests that production trends, reinforced by an official policy of foodgrain price stabilisation, has done much more to contain inflation than has the monetary policy of the government. The government has in fact been reasonably conservative in its policy towards monetary growth and has made limited use, during the 1980s, of deficit financing to underwrite public deficits. The availability of aid has in fact made this unnecessary. Indeed the World Bank has in recent years argued for a more adventurous credit policy to stimulate economic activity [World Bank 1993].

The main target of official monetary policy has been to promote private sector activity so that the traditional fears of the private sector being crowded out of the market hardly applies to Bangladesh in the 1980s. The economy has thus remained less exposed to the potential instabilities of an aggressive monetary policy.

Thus whilst money supply (M_2) grew at a rate of 21 per cent between 1981-82 and 1988-89, the inflation rate was 10.8 per cent and GDP growth, 3.20 per cent. This suggests a low and unstable velocity of circulation of money which raises doubts about the causal links between monetary policy and inflation [Rahman 1991].

Debt Crisis

Credit policy to the private sector has however been vitiated by the mounting problem of default by the private borrowers from both the nationalised commercial banks (NCB) and the DFIs. The NCB have traditionally been used to underwrite the losses of public enterprises and to promote private economic activity. This has led to politicised lending decisions and lax regulation which has contributed to the accumulation of overdue loans both to the NCB and DFIs. The DFIs were faced with an escalation in default rates where up to 90 per cent of their borrowers remained in arrears of their dues [Sobhan 1991b]. Total recovery rates fell to below 10 per cent of monies due in and led to a suspension of lending by the principal financiers of DFIs, the World Bank, ADB and KFW Bank in 1985 which has had serious consequences for promoting private investment. Currently only a limited amount of external financing is being directed to the private sector through the ADB and the IFC through direct loan and equity support to some private industry. However the very rigorous appraisal procedures and collateral requirements of these loans limits their compass and is no substitute for lending through the DFIs. Private commercial banks and financial institutions have been much more cautious in investments in risky ventures and have limited their financing to trade and more secure industries such as garments.

The crisis of the DFIs has extended to the NCBs where escalating overdues have led to the World Bank, through the medium of a Financial Sector Credit package, imposing severe conditionalities for promoting reforms in the Banking sector. This has led to the NCBs being forced to make provisions for overdue loans which has severely eroded their capital base which had to be reinforced with a massive infusion of public money. There has been some improvement in recovery over the last two years but this has not prevented the need for a further recapitalisation of Taka 3.2 billion so as to keep the banks viable [World Bank 1993].

The outcome of this credit crisis has been a severe decline in accommodation to borrowers. Many of the principal defaulters are industrialist so that the stagnation in the industrial sector originates in the unresolved crisis in the financial sector. In the last year the government has registered some 1,500 industries as being 'sick'. This indicates that they need some debt rescheduling and new lines of credit to resume business. The government has advised the commercial banks to deal with these sick industries on a bilateral basis and to accommodate them if they are convinced of their sincerity to repay and the longer term viability of the project. Few Bank managers in the NCBs are willing to risk official sanctions by exercising such discretions to a class of borrowers who have consistently defaulted in their obligations and may default again.

Privatisation Policies

The crisis in the financial sector itself originates in the problems of entrepreneurial development which was central to the SA reforms of the World Bank. Under pressure from the World Bank and more recently the ADB, the GOB has since 1977 been pushing credit to the private sector through the DFIs [Sobhan 1991b]. This indiscriminate lending, usually under official patronage, between 1977-82 lay at the root of the default crisis of the 1980s. The absence of a mature entrepreneurial class to avail of this liberal access to public money seems to have escaped the attention of the Bank and the local policymakers who were driven by an a priori belief that unlimited supplies of seasoned entrepreneurs were waiting for infusions of public credit.

A similar form of a priori reasoning thus drove the privatisation policy. This assumed that public enterprises suffered from some form of original sin which made them chronically inefficient and that all private enterprises would invariably establish itself as a more efficient manager of these public assets. The resultant divestiture policy included outright sale under concessional instalment terms to private buyers, denationalisation on favourable terms, to the former Bangladeshi owners of the jute and textile mills nationalised in 1972, and public sale of shares through the stock market of 49 per cent of government equity in particular public industries and banks. The preparatory work of these divestiture exercises was however weak and the oversight of the outcomes of the divestiture process remained negligent.

Up to the beginning of 1991 the GOB had divested itself of about 700 enterprises thereby reducing the share of public enterprises assets from 77 per cent to 43 per cent. However not a single review of the performance of these divested enterprises was attempted. The interim government commissioned a survey of these enterprises which managed in two months to look at 290 enterprises. Of these 53 per cent were seen to have closed down [Sobhan 1992a].

In its latest CEM the World Bank states that of 497 divested units, other than the 62 units of the jute and textile mills, 245 or 49.2 per cent, had closed down [World Bank 1993]. The bank sought to draw some inspiration from the fact that these closed mills were smaller in size. In a survey of 24 closed units in the industrial area in Tejgaon, Dhaka they found that 18 continued to operate but that only eight were operating as industries.

The fact remains that the massive lending and accelerated divestiture to the private sector has not ended in a burst of private investment, improved microeconomic efficiency of enterprises or overall growth of manufacturing output. We have seen the growth figures for manufacturing output and investment in the 1982-92 period, we have seen the massive defaults of the private borrowers to the DFIs and NCB, we have seen the dismal performance record of the divested units and the general state of crisis which has compelled the GOB to declare 1,500 enterprises as officially sick. All this suggests that whatever be the long-term potential of private enterprises in Bangladesh, or the many and continuing weaknesses of the public sector, there are no readymade panaceas in the promotion of the private sector while the entrepreneurial tradition has remained weak.

Import Liberalisation

The empnasis on making the private sector more competitive through a policy of indiscriminate import liberalisation is again showing no positive results. The GOB has indeed been quite successful in drastically reducing the number of items covered by quantitative restrictions from about 8,000 or more in 1982 to around 100 items in 1992. Average rates of duty are

down to 25 per cent but in practice they range from 100 per cent to zero. However there is no doubt that imports are more readily available, today in Bangladesh, indeed excessively so because of illegal imports. Thus domestic industries face a much more competitive environment than they did a decade ago which many of them now argue is a major factor in explaining the pervasive sickness of the industrial sector. This suggests that a long period of protected industrial growth, designed to create rents for reinvestment within the industrial sector, may be a critical pre-condition for encouraging first generation industrialists to set the stage for sustained industrial growth. This form of protected industrialisation was certainly the strategy which stimulated industrial growth in Japan, Taiwan, ROK, India, Brazil, Mexico and Turkey, though the east Asians ensured that protecting domestic industry went hand in hand with massive state support for export-oriented industry [Sobhan 1993b, Wade 1990]

V

Conclusion

Bangladesh's reform programme remains in deep crisis because it has over a decade failed to accelerate growth, diversify the economy, stimulate investment and domestic savings and create the basis for a sustained growth process which can lead to greater self-reliance and substantial reductions in mass poverty. What gains have been registered in the area of improved foodgrain production, the surge in garment exports, the rise in remittances from workers overseas and the dynamism and creativity of some areas of small-scale industry have been largely the result of local initiative aided by favourable market conditions. Indeed crops production has, if anything, been penalised by the desubsidisation policies. It may be convenient for the BWI to blame successive GOBs for their failure to implement reforms and for current regimes to attribute poor results to the malfeasance of their predecessors. But a decade of economic stagnation needs more substantive and a less self-serving diagnosis if Bangladesh is to join the ranks of a resurgent south Asian region, let alone its more dynamic neighbours to the east.

There are obviously no readymade solutions to Bangladesh's problems. What is certain is that rather the simplistic policy agenda originating in the BWI and rather readily embraced by successive governments in Bangladesh now needs more rigorous scrutiny. Such a review must recognise that there are many valuable elements in the BWI proposals which originate from both policy and administrative weakness on the part of the GOB and our entrepreneurs. Many of these reforms in such areas as fiscal policy, improvement in project implementation and better prioritisation of scarce resources, effective discipline in the banking sector, all merit urgent action by the GOB.

This policy review will however need to look inwards to draw on our strengths and domestic capacities. We will have to see how we can nurse our sick private sector back to health, how to channel resources without inducing similar sickness to the more dynamic components of the private sectors, particularly in the area of small and rural industry. How to stimulate small holder agriculture whilst absorbing the labour of the landless in gainful employment. How to replicate the success stories of the Grameen Bank and other successful non-governmental initiatives within a comprehensive programme to eradicate mass poverty, ensure universal primary education and health care, all within this century. How to diversify our narrow export base and to promote efficient backward linkage which will not prejudice export competitiveness. Above all we will have to make the state more dynamic, responsible and creative rather than as a predatory and inefficient consumer of aid-given resources. This will imply a rethinking rather than a dimunition in the role of the state, including ways to improve its macro-economic management capacities, make public enterprises much more commercially motivated and through a planned process of interaction with the private sector.

This process of rethinking will need to be largely endogenous where Bangladesh uses its own expertise to find ways to use its heavily underutilised capacities. Some indication of this potential was captured in the 29 Task Force Reports commissioned by the interim government in office from December 1990 to March 1991 where 255 of the best experts in Bangladesh were commissioned to work on identifying problems and producing policy options for the newly elected government and parliament. This commendable work, done on a voluntary basis, provided a unique demonstration of the enormous potential available in Bangladesh of underutilised human and material capacities to be used more productively. A more endogenous growth process will have a positive impact on poverty alleviation because it is the poor who remain the most creative and productive class in Bangladesh. However there remain many areas in industry infrastructure, human resources, based on sunk investments, many originating in aid programmes, which can be stimulated to contribute to a higher growth rate through more purposeful planning and more sensitively designed policy instruments.

A policy agenda which both targets and empowers the hardworking poor whilst promoting creative entrepreneurship will thus be the best investment to sustain Bangladesh's still fragile democratic institutions. Our history has shown that the only protection against unconstitutional seizure of power is the unstinted support and public mobilisation of the mass of the population. This can be realised by giving the people of Bangladesh a positive stake in the stability of a dynamic economy based on a much fuller democratisation of economic opportunities [Sobhan 1990a]

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Changing Values in India Today

M N Srinivas

Changes in values and norms are frequently discussed at the individual level and without reference to the wider society of which individuals are members and to the forces operating in the wider society. In this essay the author emphasises some of the changes in the wider society as they are essential to understanding changes in values and attitudes in India today.

I

BEFORE I proceed further, I would like to provide a brief and tentative idea of what I mean by 'values'. I have in mind those ideals of conduct the practice of which is admired by a people. Implicit in such admiration is a recognition that the ideals are difficult to practise, and that those who succeed in doing so are regarded as exceptional individuals, providing models for others to emulate.

However, my aim here is not so much to provide a satisfactory definition of 'values'—that I leave to philosophers—but convey a rough and ready idea of what I mean so that I can proceed with my main task which is to discuss the changes in ideals of conduct (values) which have taken place (and are taking place) in India today.

Values are a difficult subject to discuss with respect to any people but the difficulty increases enormously when dealing with a country as vast, diverse, stratified and complex as India. Values vary from one section of the people to another on the basis of region, language, religion, sect, caste, class and ethnicity. There are also significant differences between villagers and city-dwellers. Indeed, the complexity is so great that one is tempted to abandon the task as hopeless but then valour is sometimes, though very rarely, better than discretion.

Values ought to be distinguished from norms governing actual behaviour.[1] For instance, monogamy is a value for men and women in certain sections of Indian society, and this has to be distinguished from norms which govern the behaviour of husbands and wives. Thus a husband in a traditional marriage is expected to provide for his wife and children while the wife has to cook and serve food and perform other domestic chores. She is also expected to obey her husband who has the right to chastise her when he thinks that her conduct is not 'wifely'. But the norms are not very clear when two educated members of the middle classes get married and both of them are earning.

Even at the level of norms, there is a distinction betweenn what may be called the 'statistical' norms and the 'ideal' norms. The norm may be mutual sexual fidelity on the part of husband and wife. However, local opinion may recognise that very few men are actually faithful to their wives and breaches of the fidelity norm by men may be viewed leniently while unfaithful wives may be treated harshly. Again, in a stratified society, the fidelity norm may be regarded as more binding in some strata than in others.

While values and norms varied from group to group, the locally dominant caste or other ethnic group provided a model for emulation for the non-dominants. But this operated in a circuitous way: Since the dominant castes were wealthy, powerful and enjoyed high status, lower groups were not permitted to take over their customs, manners and life-styles. Any attempt on their part to emulate the dominants invited punishment but over a long period of time some of the customs and manners of the dominants gradually percolated to the others. Incidentally, since the 1950s the power of the dominants to enforce their will on the others has been eroded due to legislation, education, improved communications and other modernising factors.

However, the dominants were not always Hindus: Jains, Sikhs, Christians and Muslims enjoyed dominance in particular parts of India at different periods of time, and their culture influenced the culture of the area in which they were dominant. Some groups were particularly susceptible to the influence of the dominants: thus some Kayastha groups in parts of north India were influenced strongly by the local Muslim aristocracy, and in south India the culture of the omniverous, martial Coorgs was influenced by the puritanical, vegetarian and non-martial Lingayat rulers. During colonial rule, however, the better-off Coorgs were influenced by the culture of the British coffee planters in Coorg.

In considering the values, norms and behaviour of people in a country such as India one cannot ignore the influence of the scriptures and the epics. It is possible that the influence of some scriptures such as the *Manudharmashastra* on the conduct of Hindus has been greatly exaggerated, especially by reformers, but that is no reason for ignoring the influence of the sacred books. The only point is that such influence varies from region to region and group to group, and therefore difficult to generalise. In this connection, the proximity or otherwise of a great temple, monastery, pilgrimage centre, or the capital of the kingdom, radically affected the values and behaviour of the people. For instance, given the lack of roads in pre-British India, people living even 25 miles from the capital of a Hindu king, might be guided entirely by the norms of their caste or tribe unless a great temple or monastery was located close by. At the same time, the popularity of the epics, and of institutions such as *harikatha* (narration of religious tales in prose or verse) helped to spread certain values, norms, ideas and beliefs, of all-India Hinduism among people living in different parts of the country. The two points I have just made run counter to each other but then the inter-play of contrary forces must be accepted as a basic characteristic of the field of our study.

Contrary to popular belief that Indian society is rigid and immutable, it has been subject to continuous change. The fluidity which characterised the pre-British political system, particularly at the lower levels, was a source of dynamism in the sense that dominant castes often acquired political power at local levels and sought to legitimise power by claiming to be Kshatriyas, employing genealogists to provide them with lineages which would be regarded as noble, and through Sanskritising their ritual, custom and life-style. This in turn gave rise to local caste systems which diferred in some ways from similar systems elsewhere. (This was specially true of frontier areas.)

While caste has been studied in some depth, the Bhakthi movement, which surfaced in almost all parts of the country though at different times, and which was anti-caste, anti-brahmin, anti-ritual and anti-patriarchal, has not been studied in sufficient depth or seriousness by sociologists. What was the effect of the Bhakthi movement on the caste system and on the ideology of gender relations? Has the Bhakthi movement facilitated the acceptance of human equality? Considering

that the Brahmin domination goes back to the 7th century AD, even if we ignore the Jain-Buddhist questioning of the pre-eminence of the Brahmin, does protest against caste and other inequalities form a main strand of Indian culture instead of being a mere safety valve for tension?

The establishment of British rule resulted in a shift in emphasis on group mobility through the well-known route of capturing political power at local levels, and the picture of Indian society as extremely rigid, segregated, divided, and characterised by untouchability, suttee, and the inhuman treatment of widows, painted by some British administrators and evangelistic missionaries, was accepted by Indian reformers early in the 19th century. The picture continues to persist though recent sociological research pointed out various shortcomings in it.

Changes in values and norms are frequently discussed at the individual level, and without reference to the wider society of which individuals are members, and to the forces operating in the wider society. In this brief essay, however, some of the changes in the wider society are emphasised as they are essential to understanding changes in values and attitudes in India today. In Section II, I describe briefly a few major changes that were initiated during the early years of Independence and they in turn are responsible for some changes in the values and attitudes of individuals.

II

Soon after Independence the new rulers set themselves the task of producing a Constitution committed to bringing about a change from a caste and feudal society to a 'casteless and classless' society through the means of parliamentary democracy based on adult franchise. This was a revolutionary decision, in particular the introduction of adult franchise, considering the fact that only 16.6 per cent of the population was then literate,[2] and that over 80 per cent of the people lived in villages which lacked roads, and were isolated, particularly during the rainy season. Unlike other known revolutions in history, the Indian one was slow to pick up, was by and large non-violent till the 1970s when it turned increasingly violent. Violence of all sorts is now widespread, and in some parts of the country, endemic.[3]

The elite which came to power with Independence wanted the Constitution to bring about fundamental changes in Indian economy, culture and society. The Constitution provided not only a charter for ushering in a revolution but the instruments for achieving it. As already mentioned, adult franchise was the principal means for bringing about the revolution, while other measures such as the outlawing of untouchability, and its practice in any form declared a criminal offence, the reservations of seats in legislatures for SCs and STs, and jobs in the government were also important. It must be mentioned, however, that these were intended as temporary measures in order to enable the SCs and STs to catch up with the forward sections of the society. Provision was also made for the states to take steps to advance the interests of the 'socially and educationally backward classes' (SEBC) [also called the 'other backward classes'(OBC)]. The states were asked to prepare lists of such 'classes' on the basis of objective criteria: caste was chosen as a major criterion by several states, on the basis of the level of education of its members, and their representation in the government services, as compared with the average levels for all the castes in the state.

The southern states have been active since the 1920s in the promotion of the welfare of the OBCs and this has resulted in the latter making substantial gains. But states such as West Bengal and Orissa have not even prepared lists of OBCs. The Mandal Commission, established by the Janata government in 1978 to suggest suitable measures for increasing the access of the OBCs all over India to education and employment in the government, recommended, among other things, the reservation of 27 per cent of government jobs, both at the centre and in the states for the OBCs. In August 1990, V P Singh, then prime minister, decided to implement the Mandal recommendation regarding job reservation. This led to violent protests from college students all over the country, many of them committing suicide by setting fire to themselves. There were writ petitions against the government's decision in the Supreme Court. In a recent judgment (November 1992), however, the Supreme Court has upheld the government's decision to reserve 27 per cent of government jobs at the centre and in the states for the OBCs, but they have also imposed a few new conditions.

III

It is indeed impressive that India has been able to practise democracy since 1947 except during the emergency years, 1975-77. The task of holding periodical elections for electorates running into a few hundred millions, is indeed a Himalayan one, and what should be surprising is not that the elections are marred here and there by violence, booth capturing, and 'rigging' but that the bulk of the people in this vast, poverty-stricken, backward and hierarchised country should not only practise democracy but make attempts to deepen, and extend and cleanse it.[4] Democracy enables every tension to surface, and with increasing numbers of hereditary groups competing to obtain access to resources which are getting more scarce, government is continually under such pressure that its survival occasionally appears precarious. But even such a situation is better than that under totalitarian regimes where everything appears smooth on the surface, only to collapse suddenly and irrevocably. Further, democracy is also an invaluable information system in a large, diversified and poor country like India. Democracy is a necessity for India, and it is likely that India's survival as a single entity is due to its adherence to democracy. Contrast in this connection the sudden collapse of countries to its north and west. India's success with democracy is far more relevant for developing countries than its success in the US or UK.

Another achievement is the manner in which India has increased its food production from about 52 million tonnes at the time of Independence to over 170 million tonnes today. Of course, production must continue to increase if the growing population has to be kept fed, let alone a surplus created for export. It is also remarkable that India has not had a famine after Independence whereas China had disastrous famines during the years of the Cultural Revolution (1954-1956) when millions of people died, estimates varying between 16 and 30 million.

As a result of economic development since Independence the proportion of population below the poverty line has come down to about one-third.[5] But the country is far from abolishing poverty, and from assuring the poorest that their basic needs will be met.

Substantial improvement has occurred in the position of women but it is as yet confined largely to urban middle class women. However, women's movements have gained strength in the last three decades and they are aimed at combating specific evils such as dowry and suttee and in achieving eventually gender equality. But I do not discuss it here.

IV

No discussion of changing values can avoid referring to pervasive corruption and violence in political and social life. Corruption has grown phenomenally dur-

ing the last 50 years, and no area of life is free from it. Over the years corruption has come to be accepted as a fact of life, and it is widely known that the citizen has to pay officials, and politicians for permits, licences and other favours. Government officials have to pay bribes, for instance, to be transferred out of a place, or to stay where they are. Transfers appear to be a major source of income for higher officials and their bosses, the ministers. This means that transferable officials must collect enough money in the course of their official work to be able to get or avoid a transfer. The net result is that the citizen is compelled to pay a bribe for anything he wants from the government. Corruption has penetrated so deep that a former chief minister of Karnataka once remarked that only a powerful social movement could put an end to it. Apart from the *fact* of corruption, there exists a *mythology* of corruption which is even more destructive of public morale; ordinary people talk gaily of chief ministers who made a few hundred crores in the course of two or three years in power.

There has been a tremendous increase in all kinds of violence, organised violence against the state, inter-group violence, intrafamilial violence, and an increase in the general climate of violence, and finally, as in the case of corruption, a tacit acceptance of violence and a growing insensitivity to murder, bloodshed, gang wars and rape.

Some of the violence is directly related to the politico-economic system if it does not stem out of it as, for instance, in 'booth-capturing' during elections.

Since the acquisition of political power opens the doors to wealth, influence and status, all sorts of people including smugglers, black marketeers and mafia dons want to become MLAs and MPs. Political scientists and journalists have written at length about the 'criminalisation of politics' in recent years but nothing has been done so far to tackle it.

Another prime though indirect source of continued violence and frustration is the excessive concentration of power in the centre (union of India) as compared with the constituent states. Such concentration has been compounded by the Planning Commission which has become a powerful arm of the centre allocating resources to the states, and also in monitoring the implementation of the projects it funds. This has resulted in a feeling of helplessness on the part of the people in some states which ultimately leads to violence. The remedy is to give more powers to the states but the centre is dragging its feet on this issue as also on the issue of forming smaller states which will enable some ethnic groups and areas to shape their own futures. The agitation for the formation of a tribal state, Jharkhand, out of parts of Bihar, West Bengal, Madhya Pradesh and Orissa could have been prevented from assuming the violent forms which it has taken if remedial action had been taken earlier. That smaller states make for greater democracy and better administration, is another argument in their favour.

I do not wish to discuss in detail the phenomenal increase in violence, particularly inter-group violence, since Independence, but would like merely to point out that the abolition of untouchability, punishing its practice in any form, the reservation of seats in legislatures, and jobs in government, and other concessions for the SCs and STs, have angered large numbers of others and, in particular, the rural dominant castes. Clashes between the dominant castes and SCs are frequent and bloody, and are likely to increase with SCs becoming more assertive of their rights.

In urban areas, which are invariably multi-ethnic, economic conflict between groups might assume the form of a struggle between the sons-of-the-soil and 'outsiders', even when the former are only earlier immigrants. This kind of situation is often exacerbated by politicians, businessmen and the film industry, who may use such conflict to further their own ends. The presence of a large number of unemployed, low-skilled and uneducated youth provides the requisite muscle-power to fight the battles of politicians and businessmen.

No account of inter-group violence can afford to ignore clashes between members professing different faiths, which have become frequent in recent years. The causes are many and tangled but an important factor has been the rise, in the post-war world, of religious fundamentalism everywhere, and in particular, in west Asia. In the south Asian region, relations between Hindus and Muslims came under tremendous strain during the closing years of British rule, and the departure of the British was marked by partition of India into Pakistan and India, and by the most violent carnage in the region's history in which nearly half-a-million people were massacred. However, independent India opted for a secular, democratic constitution which guaranteed the protection of the culture, language and religion of the minorities, while Pakistan declared itself as an Islamic republic. But in the last few years India's secularism has come under strain, the Bharatiya Janata Party (BJP) and its allied organisations such as the RSS, Vishwa Hindu Parishad and Bajrang Dal, charging the ruling Congress Party with practising 'pseudo-secularism' and 'minorityism', to the detriment of the interest of the Hindus who constitute 80 per cent of the population. The recent destruction of the Babri Masjid by the followers of VHP and allied organisations in order to erect a temple to Rama in its place was followed by violent riots all over the country in which over 1,100 people died, and it has greatly exacerbated relations between Hindus and Muslims. The destruction of Hindu and Jain temples and churches in Pakistan, and Hindu temples in Bangladesh, in retaliation to the destruction of the masjid have added fuel to the fire. The net result is that India's political system and social order are facing a severe crisis.[6]

With the rapid spread of dowry among the people, cutting across not only caste, but sect, religion, class and region, intrafamilial violence has increased enormously. Harsh economic calculations enter into all traditional marriages, the main aim being to become rich at the expense of the bride's family, and huge sums of cash, gold, and consumer durables being extracted by the groom's family. The size of the dowry has become an indication of the status of the groom's family. Greed and crass materialism mark marriage negotiations and dowry demands often pursue the wretched wife even after she has given birth to one or two children. Many a woman chooses to escape torture and humiliation from her affines by committing suicide by the horrible though well known method of dousing her sari with kerosene and setting fire to herself.

One cannot fail to mention the part played by the media, the films and TV in particular in fomenting a climate of violence. Violence, sex and drugs seem to be the staple of films, both foreign and Indian, and the TV brings all this into the living room. Violence, sex and drugs are now a world-wide problem with the invasion of the skies of the developing countries by Star and cable TV. This is one of the consequences of the world becoming a global village.

V

Since Independence, there has been a visible improvement in the living standards of large numbers of people who eat better, dress better, invest sizeable portions of their income in the education of their children, live in better housing, and spend sizeable sums in buying such consumer durables as refrigerators, TV sets, washing machines, mixies, two wheelers, cars and VCPs. The market for these commodities comprises the middle classes and the top 10 per cent of the population both

together amounting to 340 millions in 1987-88.[7] It is a huge and growing market, and it is no wonder that multinationals appear to be keen to enter it. It may be noted that buyers of consumer durables are not confined to urban areas, the better-off in rural areas also going in for them. It is not unlikely that the status component in the buying of consumer durables is even higher in villages than in cities, those who own the durables being a small proportion of the local population and the possession of durables being a clear mark of social distance between the haves and have-nots.

Improvements in living standards is usually, if not invariably, followed by an attempt on the part of the upwardly mobile individual to improve the social standing of his family if not of the larger kin-group. A key element in upward mobility is education, for without it good jobs will not be available, living standards cannot be improved, good marriages cannot be contracted, and access to other elements of high status denied. But there is severe competition for obtaining admission to good schools which means, by and large, from the point of view of parents, English-medium schools. (Such preference has also spread to rural areas.) The tremendous demand for admission to good, English-medium schools has led to the latter charging high fees, and in addition, to the payment of sizeable amounts of money as admission fees. The government has no control over private schools in such matters. This practice is confined at present to some parts of the country but all over India urban parents experience acute anxiety over the admission of their children to good schools.

Parental anxiety reaches its apogee, however, at the time of their offspring seeking admission to colleges, in particular to medical, engineering, technical and other professional colleges. The question of admission is further complicated by reserving a proportion of seats to SCs/STs and OBCs. Such reservation is probably highest in Karnataka where not more than 30 per cent of the seats are allotted on the basis of merit as measured by marks obtained at the qualifying examination, and at the entrance test. The net result is that a large number of 'good' students from the 'forward' castes are rejected while those getting lower marks but hailing from the SC/ST and OBC categories obtain admission. This causes much heartburn, and the parents of at least some of these students would try their hardest to obtain seats for their offspring in professional colleges. There is also another and perhaps more prolific source seeking admission to such colleges, viz, rich and influential parents of mediocre students. What are labelled as 'capitation fee' colleges meet this demand. 'Capitation fee' colleges are Karnataka's contribution to the cause of higher education in India.[8] The Supreme Court has recently condemned the institution of charging capitation fees for admission but unless the causes underlying the demand for them are removed, I am afraid, they will continue in one form or another. Many politicians have a vested interest in them.

It is well known that many of those who obtain admission have neither the ability nor the interest to pursue exacting courses of professional study even when the institutions are well-equipped and have competent teachers. The question then arises, why do so many parents want to admit their offspring to such tough and demanding courses of study? The apparent answer that the possession of professional degrees provides the road to economic security is not true, for newspapers recently (1992) reported that in Karnataka alone there are over 18,000 unemployed engineering graduates. And there are also dozens of unemployed doctors. But society continues to place a high value on professional education, and a doctor or engineer son fetches a big dowry which not only improves the family's finances but its social standing. In some parts of the country, however, there is a caste component to the demand for professional education; the earlier entrants to professional education were from the higher castes and their success and prosperity stimulated large numbers from the backward classes to emulate them.

It is surprising that parents—I am now thinking of *educated parents*—do not seem to pay any attention to the talents and inclinations of their children in choosing careers. The main motive in choosing a professional career for a son or daughter is to boost the latter's image, and their own, among their relatives, friends and neighbours. The idea that a person should pursue a career which should allow his innate talents to develop so that work not only gives an income but a sense of satisfaction, does not seem to obtain even among the middle classes. A surer and more expensive way of producing educated misfits cannot be imagined and the country has been doing this for over 50 years.

The government of India had a constitutional obligation (Article 45) to make education compulsory for all children in the age group 5-14 within a period of 10 years from 1951, but this has not been met even after 45 years of Independence. Further, the national literacy rate is only 52.11 per cent and there are regions where literacy, particularly female literacy, is abysmally low. However, paradoxical, as it may seem, higher education continues to be highly subsidised, and there is the proud boast that India is the third largest producer of scientific and technological specialists in the world.

The IITs enjoy great prestige as institutions and they are highly subsidised by the government. Admission to them is eagerly sought after and highly competitive but how many of those who graduate from them stay in India? Indeed, the question needs to be asked, how many of those who benefit from studying in the elite institutions of higher education in India seek careers in the country? Our most successful exports are our best and brightest men and women!

In contrast to Indians who went abroad in the 1940s and 1950s for higher studies, those who go abroad nowadays do not seem to want to return home to seek careers. Excited parents are heard saying, "My son (daughter) does not want to come back. What is there to come back to?" And they are right. Many if not most of our universities and other centres of higher learning have become cockpits for caste, regional and linguistic conflict and intrigue, and both teaching and research are in a deplorable condition. Appointments are made frequently on grounds other than merit. In fact 'merit' has become a dirty word in the lexicon of the advocates of caste quotas and the 'progressives'. There is no surer way of being dubbed a 'reactionary' than by advocating merit as the main criterion in selection to an important post.

Until recently some concern was expressed about 'brain drain' from India to the developed countries, and the need to 'reverse' the flow. But such concern seems to have evaporated quietly, and the expatriates have become NRIs, whose dollars seem to be more important to the country than their skills, qualifications and experience. The irony of this situation seems to be lost on everyone. Greenbacks are preferred to grey cells.

The foreign bug has bitten not only the young but older men and women. Middle-aged Indian women now travel to the US or UK to oversee the pregnancies of their daughters reversing the traditional custom of pregnant daughters going to their natal homes for confinement. Middle-aged women love to talk to their relatives and friends about their stay abroad, the air-conditioned houses and cars, the gadgetry, the glories of the American supermarket, and the conveniences and wealth their offspring command. Back home, the middle class family has shrunk, elderly parents living by themselves and receiving dollar

cheques from their offspring. Very soon it will not be untrue to define an urban middle class family as one which has at least one person earning abroad.

I shall now return to the phenomenon of consumerism, indeed galloping consumerism, for no account of changing values can be complete without reference to it. This is a fairly recent phenomenon but it is making up for lost time by the speed with which it is spreading. Consumerism is heavily dependent on advertising and the advertising business is not only booming, but attracts many talented people. Indian newspapers and journals nowadays regularly bring out lush supplements with multi-coloured illustrations on glossy paper but with hardly any worthwhile reading matter. Looking at them one wonders whether India is a poor country. Advertisements figure on the TV with glamorous film, sports and athletic stars urging the viewer to buy this or that variety of TV set, refrigerator, washing machine, shaving soap, mouthwash, toothpaste, textiles, shoes and so on. It is safe to assume that as far as the TV is concerned, India is only witnessing the beginning of the exposure. TV-watching has become an addiction with large number of people and I learn that even in a remote, small temple town like Melkote (in south Karnataka) over two hundred houses have Star TV and CNN connections. It is alleged that priests hurry through their worship in the temples to go home to watch their favourite programmes!

A distinct teenage culture is emerging, or has already emerged, as a result of the emergence of a sizeable middle class whose youth offer a tempting market for a variety of goods which can be advertised in the newspapers and on the TV. The teenagers are recognisable by their distinctive dress, hair-style, lingo, habits and lifestyle. Their heroes and heroines are usually sportsmen, athletes, film stars, rock musicians, and models. The better-off among them visit pubs, Bangalore being a trend-setter, go disco dancing, and smoke pot. They are more subject to peer group pressures than to family influence. Older people seem to be bewildered at the attitudes and behaviour of their teenage relatives. Or perhaps it would be more accurate to describe the situation as one of 'mutual incomprehension'. There is an urgent need for sociologists to study teenagers in the same way as they study the culture and behaviour of far-away tribes and ethnic groups.

An inevitable consequence of growing consumerism is the pressure to buy goods which are not needed. Housewives and teenagers are likely to feel the pressure even more than elderly people. Hire purchase schemes, chit funds, the organisation of periodic 'sales' by big firms, and the use of credit cards are an inevitable consequence of consumerism. Having a lot of goods enhances one's status and one is judged by what one has and not by what one is.

When the rich and the middle classes go in for consumerism, the gulf between them and the poor will widen even further. Since the richest villagers are also victims of consumerism, the rich-poor divide will sharpen in rural areas also. Given the tensions which already exist, viz, caste, religion, language, region and low status, consumerism might prove to be the last straw on the backs of the poor. Given an opportunity, the poor might do in Indians cities what the American Blacks did some years ago in Watts and New York. The situations are not all dissimilar.

VI

A major change that has occurred with independence and adult franchise is the emergence of political power as more or less the supreme value for very large number of people. Translating this into traditional terms, it is as though *artha*, the politico-economic realm, has become sovereign, cutting itself loose from *dharma*, the moral realm.[9] Even within the realm of *artha*, power has emerged as superior to wealth, for power can confer wealth and much else besides. The ease and swiftness with which politicians become extremely wealthy is a very familiar phenomenon. But it is also true that businessmen who are very wealthy can use their wealth to manipulate governmental decisions in their favour. In the process the politician and administrator also benefit, the only ones to lose being the people. That wealth is also used to atone for sins and increase one's stock of merit by doing works of charity and contributing funds to temples, mosques and churches, is the other side of the coin. This idea has not lost its hold, indeed, if anything, the contrary, thanks to the fact that a great many people have had access to wealth in recent years.

But it is important to note that power does not only have an instrumental value but is also endowed with glamour. The trappings and perquisites of power, uniformed sentries, resplendently dressed servants, government cars, telephones, PAs, and the hundreds of favour-seekers who throng the compounds of ministers and the obsequiousness of the favour-seekers, all serve to proclaim the magic of power. No wonder so many people want it.

Finally, power has emerged as the legitimiser of all achievement, and indeed, of all activity, especially public activity. Ministers are asked to open, inaugurate, release, preside over, chair and grace all kinds of functions—sometimes half the cabinet attends a function and those ministers who do not oblige the organisers are dubbed arrogant. How much of his time a minister spends in attending to his ministry's affairs and in attending to the problems of his constituents and how much on ceremonial and public relations exercises is a matter deserving serious examination.

A recent and significant development is the coming together of the politician and the 'renouncer', or man in ochre robes. (The politician is indeed versatile: he moves from the company of criminals of all kinds at one end to that of godmen and sanyasis at the other.) Here, a distinction needs to be made between different kinds of 'renouncers': renouncers who engage themselves in welfare activities, renouncers who are reputed to possess 'powers' to effect cures and perform other miracles, and finally, pure contemplatives (like the late Sri Ramakrishna and Ramana Maharshi). Those who are engaged in welfare activities such as starting schools, colleges, hostels, orphanages, hospitals and old people's homes need to cultivate politicians to obtain grants of land and money, and various kinds of permits, even favours. Politicians know that it is good for their image to be seen close to renouncers, and there is always the hope that at some point closeness might yield votes. 'Godmen' command large followings and their support is not only politically beneficial but provides a shield against the insecurities of the high-risk profession of politics. Finally, the reclusive renouncer is contacted only rarely, for his 'blessings'. It is in the Indian tradition that the temporal realm acknowledges, though only rarely, the supremacy of the spiritual.

An inevitable result of enhanced opportunities for a large number of people and the prevalence of acute competition for obtaining access to resources such as education, employment and a comfortable standard of living is the spread of stress and stress-related ailments among the people. High blood pressure, nervous tension, hyperacidity and insomnia are becoming indicators of middle and upper class status. When neglected they may lead to inefficiency in work, inability to cope with the many demands made on one, and in extreme cases, nervous breakdown. Not only are there not enough psychiatrists to cope with these maladies, but the culture of going to psychiatrists and counsellors

is simply not there. Under these circumstances, prayer and meditation, and visits to temples and pilgrimage-centres offer some relief to people though rationalists may scoff at such practices. People in all walks of life consult astrologers, though it is likely that the middle and upper classes nowadays resort to them more than the others as their lives are coming under increasing strain. (It is not that the lives of the poor are stress-free but they also have their temples, oracles, amulets, exorcists, and holy men.) Incidentally, consulting astrologers is not peculiar to Indians or Asians for that matter. It is prevalent in the west too, the Reagans consulted three astrologers, Princess Diana has an astrologer and we do not know about the other VIPs in the west who consult astrologers.

While consulting astrologers is widespread in India there is a reluctance to acknowledge the fact particularly among the educated. Intellectuals do not hesitate to pour scorn on astrology though it is not certain that they themselves do not consult astrologers when in trouble. Politicians do not have a monopoly of hypocrisy.

To recapitulate, in discussing changing values in India today my approach has been that of an empirically-minded sociologist. But I am also a citizen, and an individual with my own preferences, values, if you like. On the institutional side, I think that people's movements are essential to set right the many ills that infest the body social of which body politic is a vital part. People's movements are indispensable to lessen corruption in Indian public life, to see that development plans do not destroy the environment, to ensure gender equality, to promote decentralisation of power, and to combat growing consumerism. People's movements are needed particularly to teach elected representatives that real power in a democracy rests with the people, and that errant, corrupt or perverse governments will not be tolerated. The tendency to autocracy is so deep at the state and lower levels that periodical elections are not enough to curb autocracy. People's movements might provide the necessary curb but they need time to be built up given the fact that the electorate is poor, uneducated and local leaders are bribable. Perhaps institutions such as recall may be necessary to make leaders more responsive to public opinion.

There is also a need for cutting down the role of the government and to encourage people to develop their own initiatives. To this end voluntary associations need to be encouraged, particularly in the execution and monitoring of development and welfare work. On the individual plane, there is need to spread the message that happiness consists not in the senseless accumulation of goods which one can do without but in doing work which not only gives money but satisfaction. It is also necessary to realise that those who are gifted have an obligation to use their gifts which they have inherited and which a favourable environment in early years developed, for the good of society, for the benefit of those who are weaker, and not for self-aggrandisement and self-glorification. Gandhi's idea of trusteeship should not be confined to the wealthy but extended to include the gifted.

Notes

[This essay is a revised version of the author's Surya Prakash Memorial Lecture delivered at the Indian Institute of World Culture in Bangalore on September 12, 1992. I thank B V Raman for doing me the honour of inviting me to deliver the lecture. Thanks are also due to V S Parthasarathy for help in the preparation of the lecture and P Ramachandran and R Krishna Chandran who have typed patiently several versions of the lecture. I have also to acknowledge my indebtedness to the National Institute for Advanced Studies, Bangalore, where I am the J R D Tata visiting professor, for providing me with the leisure and freedom to pursue my studies.]

1 "Values are not the same as norms for conduct. Norms are rules for behaving: they say more or less specifically what should or should not be done by particular type of actors in given circumstances. Values are standards of desirability that are more nearly independent of specific situations. The same value may be a point of reference for a great many specific norms; a particular norm may represent the simultaneous application of several separable values. Thus the value premise of 'equality' may enter into norms for relationships between husband and wife, brother and brother, teacher and student, and so on; on the other hand, the norm 'a teacher must not show favouritism in grading' may in a particular instance involve the values of equality, honesty, humanitarianism, and several others. Values, as standards (criteria) for establishing what should be regarded as desirable, provide the grounds for accepting or rejecting particular norms. Thus achievement values, stressing active instrumental accomplishment against a standard of excellence, may be reflected in norms for sports, games, occupational activities, community service, political life, education, science and so on. The same principle holds for values considered as desirable objects or states; for example, a high positive education of 'freedom' or 'authority' may be one of the grounds for a great many specific norms in various areas of society, culture and personality. On the other hand, many norms are multi-valued, relating simultaneously, for example to hedonic criteria, considerations of efficiency, and values of social integration. A minor but clear case in point might be norms of etiquette for social dining." (Robin M Williams (Jr), 'Values: The Concept of Values' in *International Encyclopaedia of the Social Sciences*, Vol 16, Macmillan and the Free Press, 1968, p 283.)

2 See *Statistical Abstract of India*, 1987, Government of India, Central Statistical Organisation, New Delhi, pp 542-43. The figure 166 literates out of 1,000 is based on figures for India excluding Jammu and Kashmir, and NEFA.

3 See in this connection my *On Living in a Revolution and Other Essays*, Oxford University Press, Delhi, 1992.

4 The Indian parliament has passed two bills, Panchayati Raj and Nagarpalika, providing for decentralisation of power to the people. Two Constitution Amendment Bills, 72nd and 73rd, have been passed, the 72nd Amendment providing for decentralisation of power to the rural areas while the 73rd Amendment provides for decentralisation of power to cities and towns. The bills make it mandatory to hold elections to these local self-governing bodies. See *The Times of India*, December 23 and 24, 1992.
During the last few months, municipal and panchayat elections have been held in the Punjab, with voter turn out exceeding 60 per cent. Elections have also been held successfully in Meghalaya, Nagaland, and most recently, in Tripura.

5 Attention needs to be drawn in this connection to the perceptive statement of M Y Ghorpade, "The poverty line today is defined in a particular way but the nature of poverty has undergone a change and is not so hopeless and helpless as it used to be" ('Whither Economic Policy and Performance?', Rajyotsava Lecture, Institute for Social and Economic Change, Bangalore, November 23, 1992, p 3.)

6 In the modern world, violence within a country is frequently linked to the ramifications of international politics, to religious fundamentalism, to drug-trafficking, mafia dons, and to the existence of close links between all these factors. In this connection see the excellent article of Jasjit Singh, 'Means of Terrorism: From Transistor Bombs to RDX' in *The Times of India*, April 3, 1993.

7 *The Report of the National Council of Applied Economics Research*, New Delhi, quoted in R Venkatachary, 'The Emergence of a New Middle Class' in the *The Sunday Times*, November 1, 1992, p 14.

8 See, in this connection, Nupur Basu's article, 'Capitation Fees: Money vs Merit?' in *India Abroad*, August 21, 1992, p 29.

9 *Moksha*, the ultimate value, is far too distant to be able to influence people directly but its indirect influence may be seen in such activities of the elderly as performing daily *puja* and meditation at home, visiting temples and pilgrimage-centres, performing *bhajans*, reading religious literature and leading a life-style characterised by attention to things spiritual and indifference to things material.

New Economic Policy and Development of Backward Regions

A Note on Orissa

K R G Nair

This note examines the impact of the government's new economic policy (NEP) on regional economic development with reference to Orissa, one of the least developed states of India. The author discusses the development of the economy of Orissa and brings out the causes of Orissa's relative economic backwardness. The likely impact of the NEP on the development of a less developed region like Orissa is then examined and the main findings are brought together in the concluding part of the note.

THE process of economic development at the national level is seldom regionally balanced. Studies by many, including Williamson (1965), Nair (1982) and Koropeckyj (1972) have shown that national economic development is usually accompanied by increased inter-regional disparities, at least in the initial stages. The most widely accepted hypothesis regarding the pattern of regional change during the process of nationaly economic development is the concentration-cycle hypothesis according to which regional disparities increase initially to diminish later on as a result, not only of market forces, but also of deliberate policy measures to reduce these, in response to pressures from the less developed regions for such policies. These policies often consist of measures to promote growth in the less developed regions and steps alongside to see that transfer payments to the less developed regions are adequate to ensure that the relative level of living of the people of the region does not fall too low.[1]

A country like India, which ranks the 121st in the world in terms of the quality of life that it provides to its people, can ill-afford to allow regional disparities to increase during the course of national economic development.[2] But there are clear indications in a number of studies, including the ones by Nair (1982) and Dholakia (1985), that regional disparities in India are on the increase. We seem to be at the divergent phase of the concentration-cycle hypothesis. Deliberate policy measures are hence called for, to prevent these disparities from increasing further.

It is also true that India has witnessed a gradual change in its economic policies during the last twelve years, with there being a bunching of such measures in the last two years. As pointed out by Sethi (1992), the clear tendency underlying these is to have greater faith in the efficacy of the market mechanism. In the name of competition, government interventions in the fields of industry and trade are being withdrawn. On the grounds of efficiency in terms of profit maximisation, there is a steady erosion of the commanding heights of the public sector. In fact, many areas, reserved for the public sector, are being thrown open to the private sector, including the MNCs. There are all-round attempts to reduce government expenditure with a view to reducing the fiscal deficit with the IMF conditionalities and the Dunkel draft more or less definite to be adopted, one can certainly expect more measures along these lines in the next few years.

In the light of all this, it is worth examining the impact of the New Economic Policy (NEP) of the government of India on regional economic development. It is meaningful to do so with particular regions in mind and since Orissa has been found to be one of the least developed states of India, attention is focused here mostly on Orissa. The study here is split into three sections. Section I examines the way the economy of Orissa has developed in comparison to the other states of India; an attempt is also made to bring out the possible causes for Orissa's relative economic backwardness. On the basis of this, an analysis is carried out in detail in Section II of the impact of the NEP on the development of the economy of a less developed region like Orissa. The main findings of the paper are brought together in the concluding part.

I

Orissa's Relative Economic Performance

The relative level of economic development of a state can be judged by the value of the state relative, Ry, in terms of per capita net domestic product (ndp), defined as $R_y = \frac{Y_s}{Y_n} \times 100$, where Y stands for per capita ndp and subscripts s and n stand for the state and the nation respectively. Table 1 gives the values of R_y from 1950-51, the earliest year for which per capita ndp data are available for Orissa to 1987-88, the latest year from the same point of view.[3] A comparison between the initial and the terminal years clearly indicates that Orissa has lost its already low relative economic status, considerably over time. To overcome possible criticism that one point comparisons may be misleading, the table also gives the average values of R_y for the quinquennia 1960-65 and 1983-88. These values clearly suggest that the state of Orissa is losing its relative economic status over time, though the loss is not as pronounced as it appeared on the basis of a point-to-point comparison.

In looking for possible reasons for Orissa becoming a lagging region, it is necessary, at the very outset, to dismiss certain simplistic arguments in this regard. The general refrain of these is that there are certain built-in and immutable factors which would necessarily make Orissa's economy lag far behind the economies of other states. Such a view can, of course, not be based on the absence of natural resource endowments in the state. For one thing, the state has no desert or even semi-desert areas, and has almost double the percentage of area under forest in comparison to that of India as a whole. For another, around 100 per cent of nickel, 90 per cent of chromite, 33 per cent of bauxite and dolomite, 17 per cent of iron ore and 10 per cent of limestone, mined in India in the 80s came from Orissa. Nor would it cut much ice to say that the Oriya has, since times immemorial, been conspicuous for his lack of entrepreneurial acumen. This is apparent if we consider among other things the simple historical fact, pointed out by many including Das (1975), that Kalinga was once a well-developed maritime power having trade relations with many a country in the east.[4] More recently, Planning Commission (1985) and Reserve Bank of India (RBI) (1984) found, in Orissa, the highest intensity of land use in irrigated area and the highest number of private wells energised per 1,000 hectare of net area sown. In Orissa among all the eastern states considered. The argument that the state, in its present form, came into being only as late as in 1936, cannot hold much water too on this count, if we take into account the fact that states like Kerala and Andhra Pradesh came into being much later. The usual tendency to attribute the woes of Orissa mainly to the weather, gods sending in cyclones and floods, can also not be sustained if we bear in mind that states like Andhra Pradesh and Assam are in no better boats on this count. Sufficient evidence has been produced by many, including Mishra and Singh (1983), to disprove the view that the existence of a large percentage of tribal population cannot, by itself, be considered a major cause for Orissa's relative lack of economic development.

An in-depth analysis of Orissa's econo-

the relative lack of agricultural development which is inhibiting the overall development of Orissa's economy. Orissa is, actually, more predominantly agricultural than the Indian economy. While only 29 per cent of India's net domestic product came from agriculture proper in 1987-88, the corresponding figure for Orissa is as high as 43 per cent. Similarly, while according to the 1981 census data, the percentage of workers engaged in agriculture was 75 per cent in Orissa, it was only 67 per cent in India. A number of studies, including Nair (1982), (1984), Planning Commission (1985) and RBI (1984), have, however, shown that there has been near-deceleration in agriculture in the state, irrespective of whether we consider agriculture as a whole or take into account only rice, the major crop of Orissa, which has 50 per cent of the area under this crop. Between the early 50s and the late 70s, in terms of per capita production of 28 major agricultural crops valued at constant all-India prices, Orissa's rank declined from 4 to 8, with the value of R_y declining from 127 to 100. Of the 14 states considered, Orissa ranked the second lowest from the bottom, experiencing an annual growth rate in y, of - 0.04 per cent. It is of course true that the area under cultivation increased by 1.25 per cent per annum—the increase being the highest among the states of India and double that for India as a whole. But, as pointed out by Sengupta and Sdasyuk in RGCCI (1967), the scope for increase in output through increase in area is limited in Orissa in view of the extremely low percentage of culturable waste—1.6 per cent—as compared to 5.6 per cent for India as a whole. It is thus only through increase in yield that there can be sustained agricultural growth in Orissa and the performance of the state on this count is relatively dismal. The state actually has the lowest yield per hectare of the 14 states considered nor is the picture any different if we consider rice. Both the study by the Planning Commission (1985) and by RBI (1984) show that the share of Orissa in India's rice output declined from 12 per cent in 1952-57 to 7 per cent in 1978-83. Further while Sdasyuk and Sengupta in RGCC (1967) have stressed the need to increase the yield of rice of Orissa, these studies indicate that the exact reverse seems to have happened between 1971 and 1981 in Orissa.

The reasons for this relatively low level of agricultural development of Orissa in comparison with the other states, are not far to seek. Nair (1984) produced considerable evidence to prove that at the state level in India, value added in agriculture is inversely related to the per cent of small and marginal holdings.[5] Both the official studies have thrown up evidence that 75 per cent of the operational holdings in Orissa are small and marginal and have also stressed the need for changes in agrarian structure brought about by faithful implementation of land reforms to improve Orissa's agricultural performance.[6] There is enough factual evidence in these two studies to prove that, besides these institutional impediments, the level of agricultural technology in Orissa, is nothing to write home about. of India in the percentage of area under HYV cereal. The state has an exactly identical relative position if we consider NPK/kg/hectare of gross sown area and this is made worse by the fact that the input-delivery system is almost non-existent in the far-flung tribal areas of the state. There is further evidence to show that the state uses only 28 per cent of its irrigation potential, and 5 per cent of its ground water facility. Moreover, on-farm irrigation in the state is particularly poor due to non-development of canals. On top of it all, many a committee has stressed even earlier the fact that rice is grown in areas like the northern plateau, the central tableland and the eastern ghat region, despite the fact these are not the most suitable areas to grow this crop.

Orissa's relative economic status is no better if we consider the manufacturing sector. Despite deliberate attempts to remove regional disparities in the development of manufacturing industry at least since the 70s, even in 1987-88, the percentage share of registered manufacturing in ndp stood only at 8.4 in Orissa as against 11.7 for India. Actually value added per capita in registered manufacturing in Orissa stood at Rs 93 as against Rs 226 for India.[7] Detailed analysis of registered manufacturing at the state level by Nair (1984) has revealed relatively high capital—intensity and capital-output ratio for the state indicating the need to bring about better utilisation of capacity in registered manufacturing in the state. As regards unregistered manufacturing, in view of the finding by many including Nair (1982) that development of small industry goes hand in hand with that of agriculture, it is hardly surprising that the relative position of Orissa is worse in this regard. The percentage share of unregistered manufacturing in ndp in Orissa is only 3.1 as against 8.4 for India. Similarly value added per capita in unregistered manufacturing in Orissa was only Rs 36 in 1987-88 as against Rs 162 for India.

II

NEP and Development of Backward Regions

In the light of these findings about the causes of economic backwardness of the less developed regions like Orissa, an attempt is now made to analyse the impact of the NEP on regional economic development. This is done in two stages. Initially, the impact of the policy on primary activities is analysed. An enquiry is then carried out, on the effect of the policy on the manufacturing sector.

As regards agriculture proper, there is no clear evidence of the NEP being beneficial to the less developed regions. Evidence on Orissa clearly suggests the need for land reforms to promote agricultural, and hence, economic, development. Scitovsky (1985) has, in his detailed study, clearly shown that such a view holds true even for the "tigers of the east". Maston and Selden (1992) have indicated the removal in areas where agriculture is affected by the vagaries of the weather and Orissa is clearly a typical instance of this kind. But the NEP steers clear of the issue and, to this extent, fails to tackle the problem of the development of the less developed regions. If we go on to consider the other factors affecting agriculture, no clear picture emerges about the possible efficacy of the NEP. The current winds of change indicate considerable reduction in fertiliser subsidies and differential power and interest rates for priority sectors and less developed regions. To the extent that this continues to happen and with the Dunkel draft also likely to be imposed on India, the prospects of increase in fertiliser consumption, irrigation and use of HYV as well as of long-term investment in agriculture, get considerably reduced. On the other hand, with the MNCs entering the fray, the backward linkages of industrial expansion may induce changes in crop-pattern, particularly in favour of inputs for export-oriented industrial activities. It is quite likely that as a result of such tendencies, other primary activities like fisheries and logging, and mining and quarrying, which are already better developed in the state than for India as a whole, may develop even further.[8] But if all this results in just a considerable increase in the exports of primary products, sustained economic development may not come about in the long run. Actually Harris (1991) in his detailed study of Mexico and Nair (1992) in his comparative study of Bihar and Nova Scotia have clearly shown that export-led economic growth is not sustainable if exports are mainly primary products. Further, it should also not be forgotten that such a tendency may result in the depletion of precious non-renewable resources of the state.

If we examine the impact on industrial development in the less developed regions, the NEP seems to cut both ways and no definite inferences seem possible. There is, of course, a good chance that with privatisation, some inefficient public sector units shed off surplus staff and succeed in bringing about better capacity utilisation. It should also be noted that the NEP has fulfilled a long-standing demand of the less developed, resource-rich regions of India, for the abolition of the freight equalisation policy, which has all along been standing in the way of these states enjoying the comparative advantage due to them as a result of their relatively abundant resource endowments.[9] All this, coupled with considerable opening up, may help in the setting up of industrial units catering specially to export-oriented activities, particularly in the unregistered manufacturing sector, this being all the more likely if we consider the fact that MNCs usually go in for considerable subcontracting to smaller units. But the NEP has its darker sides too for industrial development. The signing of the Dunkel draft would be the death-knell of many a chemical and pharmaceutical unit in

India. The hike in interest rates is certain to have an unfavourable effect on investment, particularly in sectors with high capital-intensity. Further, the heavy reduction in import duties on capital goods is likely to expose to stringent competition from abroad Indian units, some of which may not yet be ready to face such onslaughts often of limit-pricing. Moreover, with many recent collaborative agreements in the private sector, stipulating the purchase of equipment from specific sources, there are doubts as to whether the most efficient technology would ever get transferred as a result of this wholesale liberalisation. There is also a fear that under the garb of broad-banding, some large units may drive out the already existent tiny and small ones.

III

Main Findings

The analysis here of the impact of the NEP on the development of the economically backward regions of India, with particular reference to Orissa, has brought out a number of relevant issues.

It is clear that from a historical perspective, India has reached a stage, on the basis of internationally observed patterns of regional changes, among others, Williamson (1965), when inter-regional divergence starts generating regional pressures for deliberate policy measures to develop the less economically developed regions. From the political angle too, the time seems ripe for such pressures to become effective, since most of the less developed states, now ruled by parties other than the one at the centre, are likely to raise their voices a little louder at the National Development Council meetings, for special attention to them.[10] But while historically and politically, the time seems opportune for deliberate policy measures to reduce regional disparities, it is a pity that as a result of the NEP, the economic thinking has undergone a volte-face with near-total faith in the efficacy of the market mechanism and with the natural corollary that any interventionist policy is very much frowned upon. But regional development experience the world over clearly indicates that market mechanism *per se* cannot deliver the goods in terms of more regionally balanced economic development.

A detailed study of Orissa has clearly revealed that in regions like Orissa, agricultural development is a *sine qua non* for economic development and that non-implementation of land reforms is a major obstacle in the way of agricultural development. The NEP steers clear of this important issue and the impact of the NEP on the other factors affecting agricultural development seems, on the whole, to go against sustained development of Orissa's economy. As regards industrial development, no definite inferences seem possible since the NEP appears to be a double-edged weapon, cutting both ways on this count. But if international development experience is any guide, mere opening up cannot lead to industrial development of the less developed and predominantly primary-producing regions, and deliberate policy measures are called for to achieve this aim.[11]

TABLE 1: STATE RELATIVES, R_y, FOR ORISSA, 1950-51 TO 1987-88

S No	Year/Years	R_y
1	1950-51	79
2	1960-65	79
3	1983-88	72
4	1987-88	68

Source: The values for 1950-51 is taken from Nair (1982) and the rest of the values have been calculated from CSO (1991).

Notes

The author wishes to thank D S Swamy, Ashok Kumar and S S Ahluwalia for discussions while claiming full responsibility for any errors.]

1 For a discussion of these policies, see among others, Hansen (1974).

2 The ranking is on the basis of an index which combines life expectancy, education and income purchasing power. The index has been brought out by the United Nations in its Human Development Report, 1992.

3 For details regarding data see, Nair (1982), from which 1950-51 value has been taken. Data for other years are from Central Statistical Organisation (1991).

4 It was so well-developed that it finds a mention even in ancient epics. It is the only place where Indo-Aryan architecture flourished in its purest form. It is also the seat of Brahminic Hinduism.

5 Of the ten multiple regression equations tried by Nair (1984) to explain inter-state disparities in value added in agriculture, the best in terms of the value of $\bar{R}^2$ and the significance of coefficients is

$$Y_a = 5.04 - 0.27\ D_1 \quad 0.35\ T_4$$
$$(8.69)\ (0.06) \quad (0.07)$$
$$[0.58]\ [-4.93] \quad [4.88].$$

where Y_a, D_1 and T_4 stand for value added in agriculture, per cent of small and marginal holdings and cropping intensity respectively. The round and square brackets indicate standard errors and t-values respectively. Both the coefficients are significant at 5 per cent level on the basis of the two-tailed t-test and R^2 equals 0.70, there being no significant correlation between the two independent variables.

6 A similar finding also emerges from a detailed districtwise analysis of agricultural productivity in Orissa by Kumar (1992).

7 All these are at 1980-81 prices.

8 The percentage share in ndp of fishing, forestry and logging and mining and quarrying are 1.8, 2.1 and 3.6 respectively, for Orissa, while the corresponding figures for India are only 0.7, 1.8 and 1.8 respectively, in 1987-88.

9 For an excellent exposition of this argument, see, among others, Sinha (1973).

10 Formerly, because of the one-party rule all-round and with that party in the past being a simple family-hegemony, the National Development Council had become a mere rubber-stamp.

11 See, among others, Nair (1992).

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Indian Economy at the Crossroads

Manu Shroff

DEEPAK NAYYAR ('Indian Economy at the Crossroads: Illusions and Realities', *EPW*, April 10, 1993) raises a number of issues about the economic policy reforms which require further discussion. Nayyar himself has, with characteristic modesty, described his lecture as providing "a modest beginning for a meaningful debate, which is essential at this critical juncture in our economy". In what follows, I propose to show that the conclusions which Nayyar has drawn do not follow from the evidence he has cited about the impact of the policy reform in India or indeed from the experience of other countries which had embarked on similar reforms. At best, Nayyar succeeds only in pointing to the risks which are inherent in any major and wide-ranging reform. He has, however, been unable to assign any probability to the prospect or failure. And yet all through the lecture there seems to be an implicit assumption that the new policies will fail. Nayyar is careful in his expression of doubt. Each individual remark is made with appropriate caveats. But the overall thrust of the argument is that the country is on the brink of disaster.

His concluding remarks illustrate this point quite well. It is stated:

> For the path we have chosen at the crossroads needs careful consideration and substantial corrections. The implications are serious and the consequences *may* be far-reaching... *If* things go wrong, we could end up globalising prices without globalising incomes. In the process, a narrow segment of our population *may* be integrated with the world economy but a large proportion of our population *may* be marginalised even further. *Should* this happen, and I sincerely hope that it does not, the grand illusions of a few *may* indeed be transformed into harsh realities in our society. (Emphasis added.)

What if 'things do not go wrong'? Why is it assumed that the policy-makers will not be able to give "careful consideration" or to adopt "substantial correctives"? The main propositions of Nayyar can be summarised as follows:

(1) The origin of the 1991 crisis lies in the large and persistent macro-economic imbalances in the 1980s, accentuated by the Gulf crisis.

(2) The crisis was not due to "misplaced strategy of development" since the mid-50s.

(3) Government has responded by adopting the strategy of stabilisation, which attacks the demand side of the problem and structural adjustment which aims primarily at the supply side.

(4) If everything goes right, this will take at least three years to complete. But things are beginning to go wrong.

(5) The problem of transition arises because the speed of adjustment on the demand side is faster than that on the supply side.

(6) Stabilisation has not worked: inflation rate, on average basis, has not come down as much as is claimed; balance of payments is no longer precarious but the improvement may not be sustainable in the long run.

(7) The quality of fiscal adjustment is poor; it squeezes public investment and will hurt medium-term prospects.

(8) Structural reform is hesitant. No exit policy has yet been formulated. There is inadequate deregulation of the financial sector. Public sector reform has not addressed the problem of productivity and efficiency, etc.

(9) The assumptions implicit in the strategy are: (i) market mechanism would be a substitute for state intervention; (ii) private investment a substitute for public; (iii) imports of technology are a substitute for domestic technology; and (iv) agriculture does not matter.

(10) Reform is sustainable only if (a) changes are acceptable to "the polity and society"; and (b) the pace of change can be absorbed by the economy.

(11) Sequencing could be better. To quote: "In a situation of deep disequilibrium, macro-economic stabilisation and structural reform or adjustment should not be simultaneous events. In my judgment, stabilisation must restore a semblance of equilibrium in the economy before policy reform is used to re-structure the economy."

I propose to deal with each of these propositions seriatim. Nayyar (1) is by now generally accepted although one is tempted to recall that not too long ago it was quite fashionable among some economists to argue that a progressive step-up in investment was far more important than macro-balance and that deficit financing had a positive role to play. The author fails to note that the 'profligacy' of government expenditures in the 1980s is a direct descendent of such a belief (which incidentally was associated with the strategy of development adopted in the mid-50s.

Nayyar (2), however, disclaims any connection between the crisis of 1991 and the strategy of planning adopted since the 50s—a strategy which relied on discretionary controls and centralised planning in an economy sheltered from foreign competition and with a large role for the public sector. The disclaimer is not discussed in detail except by way of general comments on the nature of state intervention in economic life. But the conclusion which is drawn there is that 'it is the nature and the form of state intervention that matters". This is unquestionable. And it is possible to show, as will be done shortly, that that is precisely what the reform is about. There is no warrant for the conclusion, even if it is described as a caricature, that "We appear to have moved from a widespread belief, prevalent in the 1950s, that the state could do nothing wrong to a gathering conviction, fashionable in the 1990s, that the state can do nothing right". What Nayyar has failed to highlight is the gathering conviction that the nature of the state itself has changed a great deal and that it is important, in that context, to plan greater reliance on impersonal market forces rather than on discretionary controls. True, it is necessary to get "state intervention right". It is also important to ensure, through the political process which can itself be generated through economic reform, that the organs of the state function in larger public interest and are not reduced to become the playthings of criminalised politics. The nature and extent of state intervention depends as much on one's perception of the state as on the capability of the market to deliver. The dilemma is acute. But to continue to harp on the state as a major driving force in economic development is to ignore altogether the lessons of Indian political and economic experience since the 1950s.

Nayyar does not argue for reverting to the strategies of the 50s, even though he is not prepared to blame the economic crisis on it. In fact his major criticism of the structural adjustment policies seems to be that they have not gone far enough. This is precisely what Nayyar (8) adds up to.

Coming now to Nayyar (3-6), these propositions point to the beginning of failure of the policy reform. But the evidence is thin. Take the inflation rate. Even on an annual average basis it has come down from 13.7 per cent to 11.5 per cent, based on data up to December cited by Nayyar and to 10 per cent based on trends till March 1993. The detailed analysis of price trends given in the *Economic Survey* for 1992-93 (inflation is analysed up, down and sideways!) leaves little doubt about the deceleration in inflation rate. Is the decline largely due to the good monsoon, as Nayyar argues? The monsoon of 1992-93 was better although the total rainfall received during the south-west monsoon was of the same order as in 1991. Provisional

data show a significant increase in agricultural production and this, no doubt, was a factor in the softening of prices. But a comparison with the experience in previous good years (e g, 1990-91) shows that demand management has contributed a great deal to the decline in the inflation rate in 1992-93.

Or, take the balance of payments: Nayyar argues that the increase in foreign exchange reserves is due to the once-for-all capital inflows in the form of borrowing from multilateral financial institutions and amnesty schemes and that exports remain sluggish. Maybe the response of exports to the new policies has been slow; but Nayyar carefully avoids mentioning even in passing that the poor overall rate of growth of exports in 1992-93 hides the massive decline of over 60 per cent in exports to the rupee payment area and that exports to the general currency area have gone up by 10.5 per cent in a year in which the world trade increased by only 4 to 4.5 per cent. The increase of 11.5 per cent compares with that of 7.3 per cent in 1991-92 and 11 per cent in 1990-91. Our exports to the general currency area *alone* are now higher than the *total* exports in 1988-89 by 28 per cent. (All these figures are in dollar terms.) It is not yet well appreciated that the share of what was once rupee payment area in our exports has now fallen to less than 5 per cent (from 20 per cent only a few years ago). Percentage rates of change in total exports thus do not correctly reflect the contribution that export growth is making to foreign currency earnings.

Nayyar's text was prepared before the Budget for 1993-94. The measures taken since then have further strengthened the prospects for growth. The rupee has held up well after the unification of the exchange rate. When comparison is made with the experience of other countries in the first two years of adjustment, the Indian economy can be said to have come out a lot better.

What is stated above shows that it is premature to think that things are beginning to go wrong. Sure enough, as Nayyar rightly states, it will take at least three years to complete the reforms and many more perhaps to get positive results. Meanwhile the problems of transition are acute and Nayyar (5) is clearly the crux of the problem. In the various scenarios of transition Nayyar describes, he does not take adequate account of the potential of foreign trade coming to our rescue. The comfortable foreign exchange reserves position and the possibility of getting additional capital inflows through foreign equity and borrowing have placed the policy-makers in a good position to counter inflation through imports if need arises (as the government did in 1991 when food imports were authorised). Nayyar's scenarios are all one-sided. There is another side to each of them which would spell reasonable success for the programme.

There is, however, a distinct reason why Nayyar seems to have chosen to describe only the risk and not the potential reward of the reform package. And this comes to the fore in his discussion of the medium-term. Nayyar (7) sums up the main bone of contention. Demand management yes; but not by curtailing investment or expenditure on social infrastructure. The rich are being let off lightly and the poor (who are supposed to benefit from *public* expenditure on social infrastructure) will suffer. It is implicitly assumed that public investment is the engine of growth. It may have been so in the past, especially during the period when private investment tended to be complementary to public investment. But it need no longer be so. Take power. Does anyone seriously think that the way to relieve the power shortage is through the same route as we have followed in the past—viz, budgetary subventions to highly mismanaged state electricity boards? There is a whole host of issues about the policies necessary to induce massive private investment in the power sector which need to be addressed. Similarly, about social infrastructure, mainly health and education and the anti-poverty programmes. In all these it is more important to improve the efficacy and 'productivity' of public expenditures than to make larger budgetary provisions. In any event the 1993-94 budget has provided some correctives—perhaps too liberally, given the need to keep tight control on aggregate demand. The saving grace is that the bulk of the increase in public investment in 1993-94 will come from the resources to be mobilised by the public enterprises themselves. The fear that this will lead to periodic hikes in the prices of their products is real. But at some point, it will become a self-defeating exercise and they will then have to show real performance to be able to raise resources from the market. But all this is by the way. The main point is that Nayyar (7) represents a stereotype reaction: any growth-oriented policy must be criticised on the ground of its possible failures on the equity front! That complementarity could exist is not recognised, despite the experience of a number of countries, e g, Malaysia, Indonesia, Thailand and China in reducing the poverty proportions along with growth-oriented policies.

Enough has been said to show that Nayyar (9) is an exaggeration. There are no such implicit assumptions. What is sought to be done is to dismantle the framework of discretionary controls and give a free play both to public and private enterprises. True, neither should have any claim to monopoly barring a few exceptions in the public sector. What is being given up is not faith in the public sector but the reservation of activities for it on purely ideological grounds. Similarly, the reservation of the domestic market for Indian enterprises is also being slowly given up. These propositions are quite different from Nayyar (9).

I shall not comment on issues of technology or agriculture separately. Clearly some policy in regard to each is necessary. But the reform cannot be said to ignore agriculture altogether. Whether it is fiscal policy or foreign trade policy, there are implications for agriculture which have clearly been taken into account and will, as Nayyar points out, have repercussions in agriculture. It is surprising that in the name of promoting *productivity* in agriculture, Nayyar should be concerned about the reduction in regressive (at least non-progressive) subsidies on fertilisers which make no distinction between the poor and the rich farmers thus resulting in a disproportionate benefit to the rich who no doubt can afford to make much greater use of fertilisers. And having done so, he still talks about the new policies accentuating inequalities in agriculture!

Nayyar (10) is non-controversial except that the context suggests the author's belief that the reforms are not so acceptable. So far at any rate there has been no howl. Almost all the political parties (the CPI-M included) have been against the so-called licence-permit raj. The issues relating to the role of the public sector and foreign investment arouse differences of opinion, but there is a broad consensus that enterprise must be promoted through efficiency-driven means (e g, competition) and that public enterprises should have much greater autonomy than they have enjoyed in the past. No party wants the economy to be closed to the world, even if each may have its own perception of the pace of change.

Nayyar (11) raises an important issue of sequencing. Unfortunately, the author has not fully argued the case for completion of stabilisation before embarking on structural reforms. He seems to rely primarily on the difficulties that arise due to the multiplicity of objectives and time horizons. He fails to recognise, however, that the slow response on the supply side, observed by him, would argue for the structural changes to have a lead time and thus come ahead of other reforms. Since this is not possible because structural reforms do not seem to work in the absence of macro-economic adjustment, a simultaneous attack on both the fronts becomes necessary. Nayyar's tirade against the multilateral institutions, in this context, seems to be out of place and may well be construed as a cover for the weakness in the case he tries to make for a particular kind of sequencing.

In sum, Nayyar's paper represents a class of economic thinking in the country which might be characterised as ideology-driven pessimism. The proponents of reform need have no illusion that things will always turn out to be right. By the same token, unless one asserts that adjustment *necessarily* hurts 'the many', the contrast between 'the illusions of a few' and the 'harsh realities for the many' carries little meaning.

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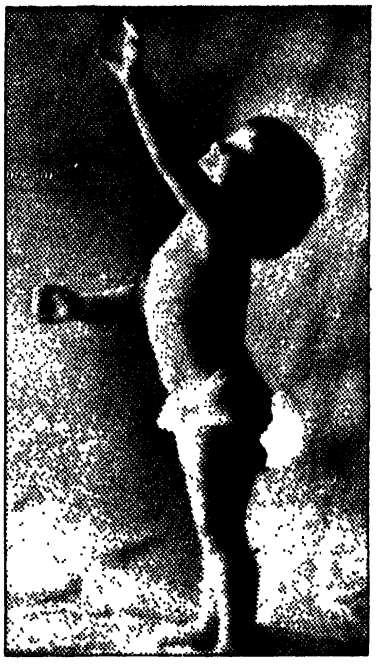
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REGIONAL VARIATIONS IN HEALTH SERVICES IN ANDHRA PRADESH

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Bankrupting the Power Sector

The government's new policies for the power sector will see the power tariff go up by at least three times, the destruction of the country's power equipment industry and a huge drain on the national exchequer. 955

Literacy and Social Change

The literacy campaign, because of its people's movement approach, has enabled the human resources within the folk traditions of the people to acquire a wider regional legitimacy and has provided them a direction through messages of relevant developmental communication. What are the larger implications of the campaign style of cultural mobilisation for literacy in terms of its capacity to create a 'learning society' that would not only sustain and enhance literacy but also ensure more equitous economic entitlements? 981

Sinking Economy

The Russian economy is indisputably in very bad shape. In the western media, Yeltsin's opponents are dubbed as 'hardliners', 'right-wing', 'anti-democratic', 'communists' and 'nationalists' who wish to return to the bad old days of an over-centralised command economy. But what light do the ongoing debates within Russia throw on who are responsible for the economic crisis and their culpability? 995

No Panacea

Different economies with different institutional relationships and varying lines of causality in their economic systems require different approaches to stabilisation and structural reform. A case-by-case approach is required with no preconceived bias in favour of liberalisation. 990

Secular Agenda

In place of the obsessive concern with the communal politics of manifestly communal parties, secular discourse in India today needs to be anchored to the primary concerns of political science around the nature of the state in a plural society and, more specifically, liberal democracy as a structural imperative of India's territorial integrity. 968

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By seeking to hold the accused guilty unless they can prove their innocence in cases of process patents, the Dunkel Draft stands accepted precepts of legal justice and human rights on their head. 958

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Rural-urban and inter-regional disparities in the provision of health services have not received the attention they deserve in studies on health care planning. 963

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The Gujarat government has unleashed a systematic campaign to intimidate and silence the protest movement against the Narmada project. 961

MP for Patna

The people of Patna may finally have their representative in the Lok Sabha after a gap of two years. Always a prestigious seat, the by-election has acquired added significance this time. 959

LETTERS TO EDITOR

Aurangabad Aircrash

THE crash of the IA flight on April 26 in Aurangabad underscores the negligence and callousness with which government utilities are functioning. Aurangabad is an important airport drawing a lot of tourist traffic due to the Ajanta and Ellora caves. It is also an important industrial centre. It is not a tiny, out-of-the-world airport, which should be lacking in infrastructural facilities. Yet, a major accident has taken place.

The fact that the primary cause of the accident has been that the wheels of the aeroplane hit a lorry, which was parked outside on the road near the airport, is indeed preposterous. Why did the plane not rise high enough in the early stages? Why is a 19-year old plane yet in use? Were the engines powerful enough? How was a lorry parked just outside the airport on the road? These are questions which the enquiry will address itself to. But a layman like me is appalled by the fact that a major accident has taken place due to the plane wheels hitting a lorry parked outside an important airport like Aurangabad. The fares of air travel increase every year, but safety norms are being diluted without any regard to passengers' lives.

It is a matter of shame that in our country we treat accidents and safety precautions so callously and cavalierly. We disperse a few lakhs of rupees to the families of those who pass away and close the chapter. The human tragedy and trauma of the survivors and the families of the deceased does not seem to matter at all in our country. I have lost two valued friends and colleagues in this crash.

A number of enquiries take place whenever there is a major air or train accident, but the reports are never made fully available to the public. Moreover, no action seems to be ever taken against those who are responsible for the mishaps. It is time that criminal action is initiated against those who are responsible for neglecting safety norms, etc. For example, in the Aurangabad crash case, the concerned officials who were connected with the take-off of the flight and the persons who designed the airport with the road next to it where the lorry was parked must face criminal charges. People who work for utility departments must be penalised, if they cause any harm to persons due to professional negligence and incompetence.

Moreover, it is also time that the conversations recorded in the black box are made public in future. The public has a right to know the conversations/details of the last few minutes in an aircraft. I was once told by a friend of mine who had heard some of the conversations and recordings that if one hears the discussions taped in the black box, one would never travel in an aeroplane in India. The public in this country has a right to know all the information pertaining to the accident. This is one of the ways to ensure that those who are in charge of such services handle them professionally.

RAJENDRA K ANEJA

Bombay

Movement against Alcohol

ALL liquor shops in Gadchiroli district were closed down on March 29 effectively putting stop to the annual alcohol trade of Rs 200 million. Our first response to the widespread problem of alcoholism in Gadchiroli in 1986, was medical de-addiction. In one year 20 men were de-addicted of whom 15 relapsed into addiction. And there were thousands of addicts in the district. Obviously the medical approach was extremely inadequate. So we decided to turn to the people for a solution. A social model to control the availability and consumption of alcohol in the villages emerged. Very rapidly the small public health work became a massive 'liberation from liquor' movement which, in 1988, placed two demands before the state government: (1) Stop the trade of alcohol in the district by cancelling the licences; (2) Allow the village to control alcohol.

In the last five years 600 villages, 334 organisations and 40,000 people in Gadchiroli district participated in the movement forcing the state government to declare the district dry from October 2 last year. A stay order from the high court prevented the government from implementing the 'prohibition'. But, in a gathering of 10,000 representatives from 300 villages, the movement launched a programme of people's liberation from liquor. In the subsequent six months 200 villages put an effective community ban on the consumption and sale of alcohol using a wide variety of creative social and political techniques. Thus people have taken control of their lives with regard to an issue they considered very vital.

After a legal battle of six months the high court finally declared the prohibition order valid resulting in closure of the licensed alcohol shops in the district. One goal has been achieved. The movement will now concentrate on the community control of alcohol, on preventive education of individuals vulnerable to alcohol and on providing de-addiction services to the addicts. The movement has already spread to the adjacent Chandrapur district. Women in Andhra Pradesh have successfully forced the state government to declare prohibition. The tide is definitely turning against alcohol in India. This heralds the emergence of a new frontier of public health and action, action against alcohol.

ABHAY BANG

Organisation for Liberation
from Liquor,
Gadchiroli.

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ECONOMIC AND POLITICAL WEEKLY

Prejudice to the Fore?

THE government is in for a surprise: the first major initiative for privatisation in the industrial sector—the dismantling of public ownership in the Indian Iron and Steel Company—is proving to be anything but easy. It all started out as an exercise in modernisation. IISCO has been over the years a sick unit, rendered sick by private enterprise which had a long history of being at the receiving end of coddling in the post-independence years by both the authorities in New Delhi and the World Bank. The authorities were finally compelled to take it over from incompetent private management. This major ingot-and-structurals-producing unit could survive in competition, such was then the received wisdom, only if its technology and product-mix were thoroughly overhauled. During Rajiv Gandhi's prime ministerial tenure, even as whiffs of the ideology of globalisation began to drift in, proposals for re-building IISCO with indigenously developed technology began to be spurned An NRI with Calcutta connections, whose family firm was much in the news in the sixties for reportedly shady deals in iron and steel products following partial decontrol of the pricing and distribution of these items, had for some while held on-and-off discussions on a possible role in IISCO modernisation. He faded away soon, and negotiations were entered into with a Japanese consortium. The deal about to be struck with the latter was the subject of intense criticism at that time. The total package, it was alleged, was excessively high-priced; a public sector bureaucrat, then very high up in the government's advisory hierarchy and of late exposed as a buccaneering participant in the scam, was the patron-saint of the Japanese deal; there was also a story afloat about how Rajiv Gandhi had railroaded the proposal in the cabinet without giving an opportunity to any of his colleagues to raise questions apropos of the soundness of the contract proposed to be signed with the Japanese party. What was noteworthy though was that it was still a programme of modernisation within the ambit of the public sector.

The electoral defeat suffered by the Congress(I) in 1989 led to the death of the proposal for a contractual tie-up with the Japanese consortium. Nothing of significance happened during the very brief Janata interregnum. The issue of IISCO revival has however been back in the news during the past couple of years but with an important shift in the details of the modernisation envisaged. The earlier proposal of linking modernisation with globalisation has not been discarded, but the catalysis is now assumed to take place through a change in equity arrangements: privatisation is the third basic interlinked item in the agenda. The reason for selecting IISCO, and not any of the Hindustan Steel units which too are not doing particularly well, for the privatisation experiment, is not altogether obscure. IISCO was once in the private sector, and it was perhaps considered logical to return it to the private sector; the sense of outrage at the mauling of the public sector in steel, once regarded as constituting the centrepiece of the dream of the State occupying the commanding heights of the economy, would thereby be somewhat less strident.

It has not quite worked out that way. An official committee has gone *de novo* into the question of modernising IISCO It has strongly recommended that Mukand Iron and Steel be entrusted with the job, and, in order to make that possible, the equity of the company be suitably restructured. The committee has claimed to have made its recommendations on severely technical grounds. It is however well known that in the case of committees of this nature, the outcome of the deliberations is a bit of a formality, and it becomes the committee's responsibility to supply the rationale for what the government wants. At the same time, the steel ministry's hands have been strengthened by the reported concurrence of the West Bengal chief minister with the government of India's suggestion to make a gift of IISCO to Mukand.

Irrespective of whether party ideologues do or do not find a place these days in the list of Jyoti Basu's advisers on industrial matters, the Centre of Indian Trade Unions does not obviously relish the prospect of Mukand making an entry at Burnpur. It has taken the lead to gather all the trade union organisations under one umbrella so as to resist attempts to put the imprimatur of approval on the official blueprint for IISCO's privatisation-cum-modernisation. In the view of the trade unions, the issue of modernisation needs to be delinked from the government's overall programme of public sector disinvestment. They are equally determined that the Steel Authority of India be asked to take charge of the IISCO renewal.

It is indeed some sight for the gods, with the government taking the lead to cast doubts on the technical competence of its own baby, SAIL, to assume responsibility for the IISCO modernisation. It cannot however afford to go too far with the demolition of the reputation till now enjoyed by Indian steel technologists. The ministry of steel has therefore found it convenient to pass the buck to the ministry of finance. The immediate allocation of Rs 3,000 crore for IISCO's modernisation and further allocations that would be needed in the Eighth Plan period, the ministry of finance has given its verdict, would not be available from government coffers; it is Mukand or bust.

Left MPs and trade union leaders have discussed the matter with the finance minister, whose response has been remarkably negative: he had no funds to spare during the first phase of the IISCO revival, he could not guarantee allocations in the Eighth Plan either; as regards arranging

accommodation from other sources, he informed the trade union leaders that public financial institutions would not touch HSCO or SAIL with a barge pole, and he, the finance minister, was not going to lobby with them on HSCO's behalf unless it was privatised; if SAIL wanted to post its claim to modernise HSCO, it was free to do so with its own funds.

Several questions arise. If the government does not have the sum of Rs 3,000 crore to spare immediately for HSCO, it is absurd to think that Mukand would possess such funds. Should the latter take over the unit, it would have to raise the necessary resources from the market, and overwhelmingly from the public financial institutions presided over by the ministry of finance. At that stage, the finance minister would obviously put pressure on the institutions to cough up the money Mukand needs. Mukand has till now been a relatively small-time operator in the fabrication of steel semi-structurals, and there is no a priori reason, as far as technical considerations go, for institutions like IDBI or ICICI or LIC or UTI preferring this private concern to SAIL, unless it be for ideological reasons or unless their arms are twisted by the finance minister. Mukand might of course try to raise some funds from external sources; however, foreign parties—including even the World Bank and its affiliates—are usually in the habit of insisting on the country government's guarantee before they would agree to provide accommodation of this nature. Because it is Mukand—a private unit—the finance minister would perhaps be exceedingly happy to furnish the necessary guarantee.

It is thus dogma—epitomising prejudice against the public sector—which is running riot, and not technical concerns. But are the authorities confident of having assessed correctly the ground realities? Are they at all sanguine that they would be able to break the back of workers' resistance to the Mukand take-over? Developments in the coming months will be exceedingly interesting to watch, with World Bank-IMF functionaries breathing down the government's neck and the simultaneous compulsion of keeping organised labour in moderately good humour in view of the near-proximity of democratic elections.

PUBLIC DISTRIBUTION SYSTEM

Not for the Poor

IN regard to the public distribution system (PDS) for foodgrains, the government is being pulled in opposite directions. On the one hand, the stabilisation and structural adjustment programmes of the IMF and the World Bank call for reduction of subsidies, including those on sale of foodgrains through the PDS, as part of fiscal compression. Reduction of budgetary subsidies and winding down of the government's involvement in the purchase and distribution of foodgrains are also being insisted upon by these bodies on ideological grounds. On the other hand, there is the rich and middle peasant lobby whose interest the government has to safeguard for electoral reasons. In fact it would not be far from the truth to say that the principal rationale for the PDS, as far as the government is concerned, is the need to provide price support to this section of farmers through government purchases of foodgrains.

There is more than a touch of make-believe, therefore, about the elaborate concern being exhibited in official circles currently over improved targeting of the PDS. The government has even appointed a committee consisting of the food and civil supplies ministers of three states (Tamil Nadu, West Bengal and Haryana) to examine the issue. According to the Tamil Nadu minister, who heads the committee, almost all the states and union territories, except Kerala and Delhi, were in favour of excluding the well-to-do from the PDS. So it may be presumed that the committee will dutifully accord its approval to some such exclusions in the name of better targeting.

But is so-called targeting the only issue of importance in regard to the PDS? There is no talk now of effective arrangements for active public management of supplies of essential commodities through 'fair price shops' as part of the co-operative network, as had once been suggested by the Mohan Dharia committee. Nothing is also heard any more of using the stocks of foodgrains with the public agencies to generate rural employment through food-for-work programmes.

In the preoccupation with reducing subsidies and further narrowing the coverage of the PDS in the name of better targeting, the critical failure of the PDS to serve as an effective source of food security for the poor has been altogether glossed over. A study by the Public Interest Research Group of Delhi confirms that the focus of the PDS has shifted essentially to providing price incentives to surplus farmers. Repeated and large increases in procurement prices combined with high administrative costs have bloated the food subsidy, despite sizeable increases in issue prices under the PDS. In fact, in many years the issue prices at which grain is supplied to states/union territories for sale through the PDS have been found to be higher than the prevailing wholesale prices.

No criteria seem to have been adopted for allocating grain from the central pool to the states and union territories. Four states, namely, Kerala, Maharashtra, West Bengal and Tamil Nadu, have been receiving a disproportionate share of PDS supplies in relation to their share in the total population, no doubt reflecting (except in the case of Kerala) the pronounced urban-orientation of the PDS. Available data suggest that nearly 85 per cent of the supplies under PDS go to urban areas which account for about 30 per cent of the population—with the four metropolitan centres and the state capitals appropriating the lion's share. In West Bengal, for example, 80 per cent of PDS supplies go to areas under statutory rationing with 30 per cent of the state's population.

If 'targeting' is to be the objective, then the supplies under the PDS need to be related to the size of the population below the poverty level. The Public Interest Research Group finds, however, that there is no link between the size of the population below the poverty line and supplies under the PDS. Five states where 52 per cent of the country's poor live (Orissa, Uttar Pradesh, Madhya Pradesh, Bihar and Rajasthan) receive only 20 per cent of central foodgrain allocations. An NSSO survey on 'Utilisation of PDS' shows that only 14 per cent of the market-dependent population gets all its supplies of rice from the PDS. The proportion is 26 per cent in the case of wheat. More tellingly, the poorest 20 per cent of rural households get less than 15 per cent of their purchases of foodgrains from the PDS, indicating the limited role of the PDS in augmenting the food intake of the poor.

But expanding the coverage of the PDS to take care of the food needs of the poor, particularly in the rural areas, will not square with the IMF-World Bank imperative of cutting the food subsidy. So the government's committee to improve the targeting of PDS can be depended upon to give the issue as wide a berth as possible.

PSE DISINVESTMENT

Grand Clearance Sale

THE government, and the finance minister in particular, have in the past dismissed all criticism that the shares of public sector enterprises had been disposed of at throw away prices. Government spokesmen have been at the same time very coy about disclosing the prices at which the shares had been sold and the modalities followed for arriving at them, in effect expecting their word to be taken on trust. But now we have the report of the Comptroller and Auditor General (CAG) which shows that the government

had been doing not a little lying on this subject and that its critics had been right all along.

In 1991-92 in two phases shares of 31 PSEs had been sold off and the amount realised was Rs 3,038 crore. For 1992-93 a target of raising Rs 3,500 crore through sale of PSE shares was set, but the amount actually realised was only Rs 2,866 crore, once again in two phases. The CAG report deals with the sale of PSE shares in 1991-92. The report brings out a sordid story of shoddy and unprofessional work, manipulation and suppression of facts and utter lack of concern in parting with valuable public assets.

The dubious nature of the whole exercise was evident from the beginning. First, the government approved in November 1991 the offer of shares of 31 selected PSEs in 'bundles' consisting of shares of nine PSEs each (three 'very good', three 'good', and three 'average'). The method was tailor-made for obfuscation, rendering it near-impossible to assess the fairness of the prices offered by the bidders. The bundling provided the cover for disposing of the 'very good' and 'good' shares for a song. The value of each bundle in terms of the reserve price had been kept at around Rs 5 crore, which was apparently not revealed to the financial institutions/ mutual funds—a travesty of the tendering process. Valuation by the CAG has now disclosed that, on the basis of reserve prices of shares of selected PSEs, the value of the bundles ranged between Rs 8.61 crore and Rs 12.91 crore. But invitation of bids before fixation of reserve prices of shares resulted in failure to keep the value of each bundle even at Rs 5 crore; the prices offered by the FIs/MFs worked out to an average realisation of Rs 3.50 crore per bundle. Further, the FIs/MFs were offered shares worth Rs 8,000 crore (as per the CAG's evaluation) or Rs 6,000 crore (as per the government's own pricing), though the department of public enterprises (DPE) had known that the FIs/MFs did not possess resources beyond Rs 2,000-Rs 2,500 crore. The result was that there were only 710 bids for 533 bundles for a total value of Rs 2,300.84 crore. The procedure followed also made for absence of competition among the bidders. Thus in the first phase 73 per cent of the bundles on offer had just one bidder and only 4.5 per cent had three or more bidders. In the second phase, there were just one or two bids in 65 per cent of the cases. Among the vastly unequal FIs/MFs, a couple of institutions virtually dictated the prices in both phases.

While deciding to tender the shares in bundles, the government had taken the position that the CCI norms for share valuation (average of the net asset value and profit-earning capacity valued at 15 per cent capitalisation rate with some adjustment for stock market prices) were not acceptable as they would undervalue the PSE shares. Therefore, the average of the two highest out of the following three values was to be taken as the reserve price: (i) net asset value (NAV); (ii) profit-earning capacity value (PECV); and (iii) discounted cash flow (DCF). On opening the bids, it was found that the bid prices were far below the value of the bundles computed with reference to the reserve price worked out as above. The DPE then sought to persuade the government that the highest bids, including single tenders, be accepted so long as they were above the average of NAV and PECV (i e, the CCI method) with an average capitalisation rate of 10 per cent; further, the prices of the bundles so arrived at would be further reduced by up to 10 per cent if necessary. The CAG has found that the government was persuaded to accept bids substantially below the original reserve prices, the gap ranging between 21.95 per cent and 86.67 per cent, with an average of 64 per cent. In 24 out of 31 PSEs, the reduction in valuation was above 50 per cent. In the fixing of reserve prices for the second tranche, the CAG castigates the ICICI (whose valuation was accepted for 16 PSE shares) for failing to take into account a number of relevant factors in deciding on the valuation of the shares. The ICICI's valuation was much below the reserve prices orginally fixed. Though the ICICI loftily decreed that the PSEs' earnings per share and net asset values did not justify higher premia, the CAG has found that the prices actually quoted for PSE shares on the stock exchanges have been much above the average prices realised in the two tranches of disinvestment. The reduction in reserve prices in response to the low bids received in the two tranches resulted in under-realisation to the government to the tune of Rs 3,441.71 crore against the realised amount of Rs 3,038 crore. The CAG has found that for six out of 10 PSEs listed on the stock exchanges, the ruling market prices were higher than even the reserve prices originally fixed under the NAV, PECV and DCF method.

Some of the PSEs like SAIL and IPCL had pleaded with the government against including their shares in the sale at that stage as conditions then were not favourable for them. The government did not heed their pleas and as a result there was gross under-realisation in the case of SAIL and IPCL. SAIL wanted the disinvestment to take place after the decontrol of steel prices had been announced. IPCL had an unduly small equity base and large fresh investment proposals; it therefore wanted to reduce the government shareholding by raising fresh equity from the market directly. When the SAIL share was listed on the stock exchange, its price reached a high of Rs 240, but the government refused to raise its reserve price beyond Rs 12 in the two tranches of disinvestment. In respect of IPCL, the reserve price was reduced from Rs 175 to Rs 37 and for the second phase it was fixed at Rs 60. Subsequently, IPCL raised Rs 320 crore from the public by sale of fresh equity at a premium of Rs 150 per share, that is, at a price almost three times that realised from the sale of the government's shares.

The CAG report has also brought out that some government officials and the chief executive of a PSE had wanted the incorporation of a 'claw-back' provision for transfer of 90 per cent of the price difference eventually gained by the financial institutions to the government. This was eminently justified since the disinvestment was being done in favour of just a few institutions. But the government would not listen; and the FIs/MFs for their part sold the allotted shares outside the stock exchanges, in violation of the terms and conditions of government disinvestment, but at overall gains to themselves ranging from 127 per cent to 616 per cent.

Finally, the CAG report questions the government's objective in disinvestment of its shares in the PSEs. The declared objectives, as set out in the Industrial Policy Statement as well as in the budget speech of 1991-92, were to raise non- inflationary resources, encourage wider public participation in the PSEs and promote greater accountability. None of these objectives has been achieved in fact. Capital assets belonging to the government have been disposed of to meet revenue expenditure; and the levels of revenue expenditure not having been reduced, the objective of raising non-inflationary resources has not been realised. And contrary to the objective of wide public participation, the shares have been sold to a narrow group of financial institutions. All this is true not only of the disinvestment made in 1991-92, the subject of the CAG's investigation, but also of the sale of PSE shares in 1992-93. And one may be sure that the story of the proposed disinvestment of Rs 3,500 crore in 1993-94 will not be very different either.

STATE FINANCES

One-Sided Appraisals

THE March issue of the RBI *Bulletin* carries the customary annual review of the finances of state governments. The review is based on the picture as it emerged after the state budgets for 1992-93 had been presented. So the lag between the presen-

tation of the state budgets and the RBI's review is of a whole year; slightly more if one allows for the fact that the March *Bulletin* has just become available. By now even the state budgets for 1993-94 have become history.

All the same, the RBI's review should be of great interest in view of the insights one gains of the financial performance of the state governments. But before one refers to the main findings of the review, a general point with analytical implications needs to be raised with regard to the distinction drawn between the states' own receipts and expenditures as distinguished from their total receipts and expenditures, be they on revenue or capital account. Is it correct, for instance, to consider as states' own tax revenues only the revenues they raise from taxes which the Constitution entitles them to levy, excluding the states' share of the central revenues which they are entitled to under the Constitution? The principle underlying the constitutional division of taxing powers between the centre and the states was that even though the centre was being empowered to levy certain taxes the states would have the enshrined right to a share of the proceeds thereof. It is a right they derive from the constitutional scheme and therefore what accrues to them by virtue of this right is as much their own revenue as the revenue the states collect from the taxes they themselves levy. The argument could be extended also to statutory grants by the centre to the states.

The point is important in view of the extravagant claims being increasingly made by the centre with regard to the financial transfers being effected in favour of the states. In the *Economic Survey, 1992-93*, the explanation offered for the sharp increase in the states' combined budgetary deficit from Rs 139 crore in 1990-91 to Rs 1,896 crore in 1991-92 was "the gap between their current revenue and total outlay" in spite of increased transfers from the centre. In fact the *Survey* went on to claim that the increase by 23 per cent between these two years in the current revenues of the states and union territories was "almost entirely due to an increase in grants from the centre and states' share of income tax and union excise duties collected by the centre". In actual fact, as the RBI's review brings out, while the current revenues of the states alone (i e, excluding union territories) increased by 20 per cent, only 45 per cent of the increase, Rs. 5,994 crore out of Rs 13,300 crore, was accounted for by increase in the amount the states received as tax share and grants. All that could really be said was that the increase in total current revenues (20 per cent) was somewhat lower than that in central transfers on current account (22.3 per cent). And the major part of these transfers are of the statutory type being either tax shares or statutory grants.

As for the general state of the finances of the state governments, the revised estimates for 1991-92 do show a quantum increase in the overall budget deficit from Rs 71.6 crore in 1990-91 to Rs 1,667.1 crore. But as the RBI review points out, with the overdraft regulation scheme being strictly enforced and the ways and means limit of the states adding up to Rs 1,010.8 crore—out of which earlier outstandings have to be subtracted to determine the amount currently available—there is no way the actual figure of the states' overall budget deficit would have come anywhere near the figure of Rs 1,667.1 crore shown in the revised estimates. Of course, the figure could still be higher than the budget deficit of 1990-91, namely, Rs 71.6 crore, and in that sense could be considered a deterioration. But why overstate the case, as the *Economic Survey* does?

It is also noteworthy that according to the RBI's review, while the states' 'own' tax revenues expanded by 15.7 per cent in 1991-92, their 'own' non-tax revenues expanded by 27.2 per cent. The corresponding figures for the centre are certainly higher, being 16.6 per cent and 33.3 per cent respectively, but by no means dramatic (we have to remember all along that to these calculations no deflator has been applied). Interestingly, the *Economic Survey* slurs over the fact that the performance of the states in regard to tax effort is, relatively speaking, very close to that of the centre. But it pointedly mentions that "there was a decline in receipts from land revenue by 6.8 per cent". Did not the authors of the *Survey* know that land revenue accounts for a mere 1.5 per cent of the states' 'own' tax revenues and that its importance as a source of the states' tax revenues had started declining way back, though the decline has been much more sharp since independence?

The important point however is that if a review of states' finances is to be attempted, it should be as balanced as possible. In that sense the RBI review scores over the observations contained in the *Economic Survey*. The states cannot be bamboozled into 'financial consolidation' whatever that term stands for, on the strength of one-sided appraisals of their performance, as the one attempted in the latest *Economic Survey*.

SOUTH AFRICA

New Questions

THE violence following the murder of Chris Hani is indicative of the dissonances within the anti-apartheid forces, and also of the growing social and economic stress among the black majority. With the death of Hani, the compromises the ANC and its allies have to make in favour of the government are becoming increasingly visible. Within the ANC itself there have arisen doubts on numerous issues. Primarily the disenchantment is with president de Klerk's reluctance to set a date for the preliminary elections. The main demand being made now is that a timetable be drawn up for the process towards forming an interim government which will oversee the end of apartheid. Hani's murder signified the coalescing of the Afrikaner opposition which last week issued an ultimatum of sorts to de Klerk: if he went ahead with the negotiations, a separate Boer state would be formed. More than 5,000 farmers pledged to use violence if necessary to achieve their ob jective. A section of the white population, especially those in the army and the police, appear to support such actions. While at one level this may be dismissed as going against the tide of history and therefore as bound to fail, it threatens to make violence even more a part of the South African scene for many years to come.

There are other issues which are already causing much debate within the ANC and its allies. The South African economy is rapidly going downhill. Predictions for 1993 show a zero growth rate. Many companies, including Volkswagen of South Africa, one of the biggest employers in the eastern Cape region, are envisaging reduction of the workforce which will make it even more difficult for the already impoverished black population to find jobs. And things are not going to be any different in future. Earlier this year the government unveiled its five-year economic plan. It proposes a reduction in state expenditure (including that on the nationalised sector). It also proposes a reduction of corporate taxation and, in a familiar pattern, emphasises the need to strengthen 'savings' as a pre-condition for revival of investment. As an added incentive to increasing investment it proposes that the rise in real wages should not exceed 0.75 per cent. It also reduces import taxes by 9 per cent to encourage imports. The plan has been termed by many as following the classic IMF pattern.

How will the ANC intervene in this economic programme in any power-sharing arrangement with the National Party? The basic demands of ANC's Freedom Charter are hardly going to be met through this programme. The Freedom Charter demands, among other things, massive house-building, strengthening of a non-discriminatory education system and universally accessible health care, all of which will require massive public investment. This issue is being discussed widely within the ANC and among its allies and the debate is bound to raise uncomfortable questions.

Kareems Spun Silk

KAREEMS Spun Silk, incorporated in April 1991, is putting up a 100 per cent EOU at Devanahalli, near Bangalore, for manufacture of spun silk yarn with a capacity of 100 tonnes per annum. It is to be assured of raw material silk tops which the promoting company, Kareems Silk International (KSIL), is supplying to cover the requirement of 120 tonnes a year plant for value addition by a four-stage process—preparatory, spinning, twisting and finishing—in production of spun silk yarn. Full capacity production of KSSL will be lifted by the already established network of buyers of KSIL around the world. Abdul Samad, the man behind KSIL and KSSL and having 40 years experience in silk and related products, established Kareem Cascami in 1979 as a joint venture with Cascami-1872 of Italy, which became Kareem's Silk International when the collaboration ended in 1985. KSIL itself is a 100 per cent EOU manufacturing silk tops and noils at Nanjangud in Karnataka. Spun silk yarn is used in the manufacture of fabrics, carpets, etc, and has a wide market potential internationally. With KSIL's established global market, capacity production is envisaged right from the beginning for KSSL. The project has been appraised by ICICI to cost Rs 1,200 lakh, which is to be financed with equity Rs 650 lakh (promoters—Indian Rs 220 lakh and NRI Rs 80 lakh) and public Rs 350 lakh and loans of Rs 550 lakh. A major part of plant and machinery is being imported from M T Consult, Italy. Barchiesi Lamberto from Italy, a technologist of 40 years' standing in the international spun silk industry, is associated as a consultant assisting in the project from the selection of machinery, installation and commissioning and ensuring quality of production. The public issue of 35 lakh equity shares of Rs 10 each at par aggregating Rs 350 lakh opens on May 17. ICICI and SBI caps are the lead managers of the issue.

Kothari Sugars and Chemicals

Kothari Sugars and Chemicals which has been diversifying rapidly into petrochemicals over the last three to four years, with units for the manufacture of polybutene at Manali and PNCB/ONCB at Karaikal having been established, will shortly be commencing commercial production at its new distillery at Kattur in Trichy district. Work is also progressing at a rapid pace on the expansion/diversification projects at the petrochemical units. On a turnover of Rs 65 crore, the EPS on the enhanced capital of Rs 9.79 crore is projected at over Rs 4.50, for the year ended March 31, 1993. The sugar unit at Kattur has been in the forefront in performance among sugar factories in the country. For the last three years, it has been among the top two sugar units in Tamil Nadu, in terms of efficiency. In the 1991-92 season, it crushed a total of 5.3 lakh tonnes of cane at a recovery of 10.13 per cent. In the 1992-93 season, it is expected to crush a minimum of 4.6 lakh tonnes at a recovery of 10.1 per cent. The capacity utilisation will be 120 per cent. Almost 20,000 tonnes of sugar from this unit have been exported in 1992, which is among the largest quantities exported from a single sugar factory during the year. The decontrol now of molasses and industrial alcohol will give the company an advantage in production and distribution of industrial alcohol. The polybutene unit at Manali, Madras, has achieved more than 100 per cent capacity utilisation during the year. In addition to the normal lube oil additive market, several new markets have been opened up, thereby contributing to significant increases in volumes of sales. A large quantity of polybutene has also been exported to south-east Asia, Australia and Europe. The product has been accepted as comparable to the best in the world. The PNCB/ONCB plant at Karaikal in Pondicherry has also worked to a high level of capacity during 1992-93. Exports of nitrochlorobenzene have already commenced to south-east Asian countries and it is anticipated that the export front will be opened up even more significantly. Erection of a distillery for production of industrial alcohol with captive use of the molasses produced at the sugar unit is almost complete. KSCL has a licence for manufacture of 90 lakh litres of industrial alcohol and the distillery is expected to go into commercial production at any time now. The company has plans to diversify further downstream into alcohol-based chemicals at the appropriate time. Facilities are being established at the polybutene plant at Manali for manufacture of leather chemicals and cable jellies based on polybutene. Tamil Nadu is virtually the home of leather, and KSCL has been successful in developing a range of leather chemicals based on polybutenes, in collaboration with the Central Leather Research Institute. Cable jellies and cable compounds serve the needs of telecommunication cables. Pro-

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duction at Manali is likely to be expanded to 7,500 tonnes per annum from the current level of 5,000 tonnes. This expanded production will be entirely consumed captively. KSCL is setting up facilities at Karaikal for the manufacture of downstream products from PNCB/ONCB and dichlorobenzene. The products being proposed to be manufactured are in the area of dye and pesticide intermediates. This will result in captive consumption of approximately 2,000 tonnes of PNCB/ONCB. KSCL will cross Rs 100 crore turnover in 1993-94 and with the full functioning of all the units, the EPS should move to over Rs 8 on the expanded capital. To part finance the aforementioned plans the company proposes to issue capital of around Rs 23 crore. This will comprise 48,95,475 equity shares of Rs 10 each at a premium of Rs 35 per share on rights basis to shareholders; and 2,44,774 equity shares of Rs 10 each at a premium of Rs 35 per share to employees of the company and group companies. The issue has opened on April 30 and closes on May 31.

Dharnendra Agro Food

Dharnendra Agro Food Industries, promoted by Fly-up Fashons of the Dharnendra group of Navinchandra B Gandhi, is coming to the capital market with an issue of equity shares which opens on May 25 under IFCI and PNB Caps as lead managers. The company is issuing in all 96.90 lakh equity shares of Rs 10 each at par, raising its share capital thereby from Rs 97 lakh at present to Rs 10.66 crore. It is offering to the public 47.45 lakh equity shares and another 20 lakh shares to the NRIs. Dharnendra Agro Food is establishing a project for export of 3,000 tonnes of tomato paste and puree, 1,000 tonnes of mango pulp and 2,000 tonnes of dehydrated vegetables. It has signed an MoU with a merchant exporter in Dubai for export of these products in the international markets. The project is appraised by IFCI to cost Rs 12.16 crore. Finance of Rs 10.66 crore is being covered with equity share capital and the balance of Rs 1.25 crore is to be secured by lease finance. The project is slated for commercial production is September 1993. IFCI has projected at 60 per cent capacity utilisation a turnover of Rs 24.75 crore for 1994 and a net profit of Rs 2.40 crore, yielding EPS of Rs 2.24. Two years later, in 1996, the turnover is expected to reach Rs 33 crore with net profit estimated at Rs 2.87 crore and EPS at Rs 2.69.

—JK

COMPANIES

For Whose Benefit?

Jeiraj Kapadia

THE obligation to pass on the fresh concessions in excise and customs duties to industries which were announced in the union budget before it was passed by parliament on May 5 is to be that of individual companies. However, as the concessions were declared to meet recessionary conditions, the finance minister told industries to hand the reliefs down and not to keep them to themselves, warning that failing that the government would be forced to withdraw them. Whether such a warning is to stand in a relative free market regime now is open to question. But the onus in this case is to be that of the chambers of trade and industries and respective associations of industries. These might as well now see to it that their constituents face up to the responsibility. Will the representative bodies like the IMC, the ASSOCHAM, the FICCI and the chambers of commerce and of industries rise to the occasion? The question begs attention, as the experience in the market in respect of the duty reliefs declared in the budget presented on February 27 has not been encouraging.

Stores in Bombay (leave alone in smaller towns and places in the interior) present quite a discouraging situation. The storekeeper has either no goods to offer as he is still expecting stocks at post-budget revised and reduced prices because of the lower duties to arrive from the manufacturing companies, or has products for sale at earlier pre-budget prices. If it is taking companies' time to roll out the products, it is precisely because the union budget contained duty concessions which were expected. Compare the present situation with earlier experience. Because the budgets then effected duty hikes, goods used to go off the shelves in the stores before the budget, only to be recycled at increased prices in no time after the budget. Now earlier stocks are there on the shelves at pre-budget prices while the manufacturers are taking their time to supply fresh stocks at revised prices.

The case is, no doubt, different in industrial products, as industries will comply among them. But the consumer remains a sufferer. How long the companies might take to follow through with the reliefs is anybody's guess.

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McLEOD RUSSEL

Higher Tea Exports

For McLeod Russel (India) the financial year ended March 31, 1992 has proved fairly normal with quality teas on sustained demand displaying firm prices, although average prices were lower than in the previous year in both domestic and international markets. However, with the rupee's devaluation followed by partial covertibility last year and now a unified exchange rate this year, exports are likely to go up. Total exports during the year amounted to Rs 1,747.81 lakh on fob basis, representing an increase over the previous year by 22.56 per cent. The company has continued to maintain its thrust in quality tea exports, keeping its market share abroad in spite of stiff competition from other producing countries. Efforts for a further increase are continuing with available benefits of excise duty rebate and tax exemption on export earnings and it is expected they will result in further improvement in the volume of exports.

Cost increases and particularly increased labour expenses have affected profits which at operating level itself have registered a decline from Rs 2,501 lakh to Rs 2,266 lakh. Gross profit as a ratio to sales has also dropped two percentage points from 28.70 to 26.41. Revaluation of fixed assets has been an important feature of the finances, since due to this the financial ratios have recorded a sharp deviation in comparison with the previous year's figures. The revaluation at March 31, 1992 is made on current cost basis, resulting in an incremental amount of the order of Rs 1,46,64,16,284 in block account as well as in reserves and surplus with a revaluation reserve created of a like amount. As the revalued amounts of the assets are pertaining to the year-end position, depreciation is charged in their respect in accordance with the rates as per the basis hitherto followed by the company. Further, additions were made to the block account of Rs 554 lakh, while assets of Rs 38 lakh value were disposed of. The figure of revaluation being substantial, turnover ratio, return on investment and return on equity have all recorded sharp declines.

MOHAN MEAKIN

Growing Competition

Liquor consumption is no doubt rising, but liquor producing companies are having no cakewalk. With their growing ranks they are resorting to quite a few stratagems to boost sales even at the risk of taking a cut in profits. The directors of the liquor company, Mohan Meakin, make a pointed reference to this prevailing situation in their report to the shareholders for the year ended March 31, 1992. The directors state: "The liquor trade is becoming very competitive

day by day and your company is also getting geared up to meet the market challenge. The profitability of the company [during the year] has been affected because of higher inputs in the marketing of the products on account of rebates and incentives; otherwise the turnover would also have registered a decline."

In the light of the foregoing, one is not quite sure whether the rise of 18 per cent in sales recorded in the first quarter of 1992-93 would be resulting in an improvement in profitability of the company. The directors explain that the increase was due to "extensive market efforts" to beat stiff competition from other companies. The directors expect, nevertheless, that the measures taken by the company would bring in the desired results, barring unforeseen circumstances.

During the year 1991-92, the company made purchases of finished goods of an amount of Rs 1,707 lakh compared to Rs 1,632 lakh in the previous year. Beer production increased from 20,483 kl to 22,078 kl and so also of spirits from 1,36,20,305 lpl to 1,52,55,425 lpl. Gross sales rose from Rs 114 crore to Rs 129 crore. But as profits worked out less, the dividend to shareholders was curtailed from 15 per cent to 10 per cent.

SUPREME INDUSTRIES

A Landmark Year

For the first six months of the financial year ending June 30, 1993, Supreme Industries has reported further increases in sales as well as in gross profit. Compared with the corresponding period of the previous year sales worked out more by 2.9 per cent at Rs 80.40 crore and gross profit by 8.9 per cent at Rs 6.80 crore. As the full year's results fall due for announcement later, in all probability the company would have charted still further growth. Yet it is the year ended June 30, 1992 that was memorable for Supreme Industries. For one thing, it was the golden jubilee year of the company. As a landmark year it earned the shareholders an additional 15 per cent dividend while the aggregate dividend of 75 per cent was declared *pro rata* on additional 11,96,006 equity shares of Rs 10 each which were issued at a premium of Rs 90 per share on conversion of partially convertible debentures. That was not all, as the shareholders were rewarded further with a proposal of a 1:1 bonus issue by the directors.

The bonus issue made at the close of the year was backed up with an offer of 1:10 rights shares to shareholders at Rs 240 premium and a further issue of partly convertible debentures of the face value of Rs 450, Rs 200 of which being the convertible portion into equity at Rs 190 premium. These issues were proposed at the AGM held on September 16, 1992, when the shareholders were also called upon to approve of a resolution to authorise the directors to raise for the company borrowings up to Rs 300 crore.

The expansion/investment programme and increase in long-term working capital requirements, to be met by end 1993, were reckoned at about Rs 115 crore. The same is proposed to be financed with the proposed rights issues of equity shares and PCDs to the extent respectively of Rs 17.99 crore and Rs 80.96 crore aggregating to Rs 98.95 crore and the balance amount of Rs 16.05 crore with internal accruals. The rights issues are to accommodate various proposals: one, increase in capacity of injection moulding, flexible films and PVC pipes at all the locations; two, launching of polystyrene foam and thermo-formed polystyrene products at Gwalior and Daman, respectively; three, establishment of new air bubble film manufacturing facility at Gwalior; and four, merger of A K Structural Foam having structural foam injection moulding facility and acquisition of an existing unit with facility to manufacture flexible packaging material.

Meanwhile, during 1991-92, Rs 16.37 crore was invested in programmes of modernisation, expansion and diversification, while together with capital work-in-progress, the total figure of investment made amounted to Rs 21.28 crore. This has enabled the company to start its manufacturing facilities at Daman and Pondicherry. It has also increased the product range at Noida and increased capacity and range of pipes and fittings at Jalgaon. In injection moulding division, located at Andheri (Bombay), Noida and Pondicherry, from industrial components the company is switching in favour of consumer durable products, having reduced the extent of the former already from 81 per cent to 63 per cent during the year and intending to bring it down further to 50 per cent in 1992-93. Yet another injection moulding unit is being put up in the east, near Calcutta, thereby covering all the four directions. The MLS division catering to the refrigerator industry was fully stabilised during the year, while the technology centre entered the export market with export of tools. Products worth Rs 2.23 crore were exported as against Rs 49.28 lakh in the previous year. The company expects to increase exports substantially. However, the amount of foreign exchange expended was much more at Rs 43.19 crore.

The Week's Companies

(Rs lakh)

Financial Indicators	Supreme Industries		McLeod Russel		Mohan Meakin	
	June 1992	June 1991	March 1992	March 1991	March 1992	March 1991
Income/expenses/profits						
Net sales	16231	12161	7725	7630	9762	8649
Excise duty	1502	1168	216	224	3178	2726
Other income	153	84	410	620	677	364
Increase (decrease) in year-end finished stock	220	(30)	6	(33)	46	9
Raw materials consumed	1738	1394	2	59	3157	2696
Power and fuel	350	271	505	406	1020	812
Other manufacturing expenses	241	148	1044	933	2262	1929
Labour cost	423	343	2608	2341	1682	1416
Other expenses	1557	1224	1816	1977	3070	2493
Operating profits	2415	1906	2266	2501	744	741
Interest charges	1058	807	326	311	437	392
Gross profits	1357	1099	2040	2190	307	349
Depreciation	559	426	479	228	215	188
Profits before tax	798	673	1561	1962	92	161
Tax provision	—	150	763	878	—	67
Profits after tax	798	523	798	1084	92	94
Dividends	193	137	450	450	43	64
Liabilities/assets						
Paid up capital	347	228	1000	1000	425	425
Reserves and surplus	5367	3546	17558	2695	1123	1073
Long term loans	4572	2617	1048	597	1217	1104
Short term loans	2078	2296	745	491	1236	1245
Other liabilities	2643	2184	2122	1810	3135	2399
Gross fixed assets	9380	7578	19028	3837	3114	3089
Accumulated depreciation	2994	2578	1519	1264	1938	1822
Inventories	2564	1601	639	614	2057	2106
Of which finished goods	606	386	270	264	1273	1227
Receivables	2894	2232	112	148	2336	1552
Loans and advances	2297	1442	2780	2041	762	793
Cash and bank balances	820	565	213	280	650	448
Investments	47	39	1081	844	80	80
Other assets	—	—	139	92	76	2
Total liabilities/assets	15008	10871	22472	6593	7135	6247
Key financial ratios						
Turnover ratio	1.08	1.12	0.34	1.16	1.37	1.38
Return on sales %	8.36	9.04	26.41	28.70	3.14	4.04
Return on investment %	9.04	10.11	9.08	33.22	4.30	5.59
Return on equity (%)	13.97	13.86	4.30	29.34	5.94	6.28
Earning per share	22.98	22.94	7.98	10.84	1.08	1.11
Dividend (%)	75	60	45	45	10	15
Book value per share (Rs)	123.62	103.37	38.94	36.95	18.20	17.61
Current market price	240	—	130	—	25	—
P/E ratio	10.44	—	16.29	—	23.15	—

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 1-5-93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	233.9	0.3	6.0	0.6	9.8	13.7	10.3	7.5
Primary Articles	32.3	233.3	−0.4	2.8	0.4	7.3	18.1	13.0	2.2
Food Articles	17.4	271.6	−0.4	5.0	1.0	12.3	20.2	11.8	1.2
Non-food Articles	10.1	222.6	−0.8	−1.5	−1.0	−0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	246.0	0.4	14.9	0.4	14.1	13.2	12.3	3.6
Manufactured Products	57.0	231.9	0.7	6.2	0.7	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1992	1992-93	1991-92	1990-91	1989-90
Industrial Workers	1982 = 100	243[3]	0.4	6.1	6.1	6.1	13.5	11.2	6.5
Urban Non-Manual Employees	1984-85 = 100	205[1]	—	9.6	6.8	. .	13.5	11.0	6.9
Agricultural Labourers	July 60 to June 61 = 100	1,053[3]	−0.5	3.8	3.8	3.8	19.3	7.5	3.2

Money and Banking	Unit	Latest Fortnight (16-4-93)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,76,722	14,827 (4.1)	51,108 (15.7)	15,322 (4.2)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,82,229	9,695	17,679	7,661	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,21,124	5,796	26,146	5,670	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	24,192	2,353	5,085	856	6,155	10,098	1,915	−149
Deposits of Scheduled Commercial Banks	Rs crore	2,74,995	7,848 (2.9)	40,004 (17.0)	7,848 (2.9)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,56,593	5,539 (3.7)	24,427 (18.5)	5,539 (3.7)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 30-4-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	21,990	3,004	7,350	1,794	5,385	10,223	−1,383	−795
	US $ mn	7,027	1,005	1,391	560	746	3,383	−1,137	−854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Oct 92)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	208.3	204.7 (3.0)	198.7 (−0.9)	0.1	8.5	8.6	8.7	7.3
Mining and Quarrying	11.5	215.4	207.7 (3.5)	200.6 (−1.0)	0.8	4.9	6.3	7.9	3.8
Manufacturing	77.1	196.8	195.0 (2.2)	190.8 (−2.4)	−1.4	9.1	8.6	8.7	7.9
Electricity	11.4	278.4	261.7 (4.5)	250.5 (7.9)	8.3	8.7	10.8	9.5	7.7
Basic Industries	39.4	.	. .	. .	. .	3.8	5.4	9.9	5.6
Capital Goods Industries	16.4	. .	. .	. .	. .	17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5	.	. .	. .	. .	6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6	. .	. .	. .	. .	10.4	6.3	4.2	6.5
Durable Goods	2.6	. .	. .	. .	. .	14.8	1.7	12.0	7.8
Non-Durable Goods	21.0	. .	. .	. .	. .	9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (Dec 92)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989 90	1988-89	1987-88
Export	Rs crore	4,192	37,329	30,795	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,423	47,680	34,403	47,813 (10.7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	−1,231	−10,151	−3,608	−3,835	−10,640	−7,735	−8,003	−6,570

Employment Exchange Statistics	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	537	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore	.	. .	3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (−1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. . . Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript [1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

New Power Policy: Bankrupting the Power Sector

P Purakayastha

The new power policy will see the power tariff going up by at least three times, the destruction of the country's power equipment sector and a future drain on the national exchequer of huge amounts. To those who wear ideological blinkers all this means little. The selling of India piecemeal is the game and it matters little if future generations pay a heavy price for the activities of today's carpetbaggers.

THE future of the power sector in India appears rather bleak. A cursory review will show that organisations and companies connected to the power sector are in various stages of bankruptcy. The government of India has of course found the usual solution—invite capital, both foreign and Indian, and all will be well. However, it needs to be examined whether the proposed solution will lead to the long-term health of the power sector or it will be worse than the disease. A simple calculation shows that the measures proposed by the Department of Power will result in an additional loss of about Rs 10,000 to Rs 15,000 crore to the State Electricity Boards (SEBs). Even if the power tariffs are hiked to three times their current levels, the SEBs will still incur a net loss for each unit of electricity that they will buy from these power companies. If the lack of investible resources with the SEBs is the crisis in the power sector, the measures proposed to be taken by the Department of Power are a sure recipe for disaster.

The Eighth Plan envisages a net addition to the Indian grid of 38,000 MWs out of which 28,000 MWs are to be met from state's internal resources and 10,000 MWs from private and foreign investments. The Department of Power has offered for such investments 78 such projects with an aggregate capacity of approximately 21,500 MWs, presumably including a part of the Ninth Plan targets. Offers have been received for 41 of such projects.[1] However, looking at the current investments being made, the promised state resource mobilisation for the 28,000 MWs does not seem to be forthcoming. Perhaps if large-scale capital inflows can be found from private or foreign sources, much more than the estimated 10,000 MWs will be handed over. However, for the purpose of calculations here, private or foreign generation of only 10,000 MWs as planned initially by Department of Power has been considered. If the possibility of an even larger slice of the power sector being handed over is taken into account, the scenario is even gloomier.

Remedy Worse than Disease

For making power generation attractive to foreign capital, there are a number of commitments that the government of India has made. The key commitments are a minimum guaranteed 16 per cent rate of return on equity[2] based on hard currency and a cost-plus calculation for the electricity produced. The SEBs will have to enter into long-term contracts to ensure the above payments, which will be backed up by sovereign guarantees from the government of India. The SEBs will also guarantee minimum off-take of 60 per cent for such plants.

The proposals available with the government for various projects clearly show that the cost per MW in terms of investments is of the order of Rs 4 crore per MW. The total foreign or private investment being sought is therefore of the order of Rs 40,000 crore for 10,000 MWs. If the above returns are to be guaranteed, the SEBs who are the distributing agencies will have to realise the revenue from the sale of the electricity. Therefore, it is worthwhile examining the cost of such electricity as against current generating costs and the additional losses the SEBs will incur if the current power tariffs are maintained.

The detailed calculations of the costs of such power have been worked by K Vijaychandran in his report on the Indian Power Sector, a study jointly sponsored by an Apex Committee of Officers' Associations and Trade Unions in the Power Sector.[3] Roughly, these calculations show that per MW of such contracted power, the SEBs will have to pay Rs 5 per unit as against the current cost of generation per unit of Rs 1.05 and their current realisation of 81 paise. The calculations have assumed a debt-equity ratio of unity. Even if 4:1 debt-equity ratio is assumed, the SEBs will have to shell out nearly Rs 3.50 per unit (see table) for coal-based plants. If no tariff changes take place, the loss to the SEBs on account of paying for such power will be nearly equal to the total revenue being earned by the SEBs today. The SEBs will have to suffer an additional loss of Rs 10,000 to Rs 15,000 crore per year and this for an additional installed capacity of a mere 8 per cent (Eighth Plan-end as the base).

The other alternative for the SEBs will be to hike the tariff rate massively to offset this loss. Currently, the SEBs are in the red to the tune of Rs 4,300 crore in accumulated losses and owe Coal India and NTPC almost similar amounts. If we do not take into account the past losses and look only at the current realisation as against current costs, the SEBs are losing approximately 24 paise per unit as against a cost of Rs 1.05 per unit, a loss of 30 per cent in current revenue terms. To offset the huge amounts that would have to be paid to the proposed power companies, a simple back of the envelope calculation would show that the tariffs will have to be revised not by 30 or 40 per cent but by 300 per cent. Even after such revisions, the SEBs will be paying more to the proposed power companies than their selling price to the consumers. The loss due to such power will come down if tariffs are hiked steeply, but would still constitute a serious drain. Thus the SEBs will continue to be in the red even after a three-fold rise in the cost of electricity.

The problem of the Indian power sector does not lie in a temporary resource crunch. A temporary capital shortage can be made good by borrowings or inviting private and foreign capital. As long as the power produced can be sold at a profit, the decision to adopt this path is at least financially viable. But what happens if the power produced in this way has to be sold at a loss? The costly power from the proposed investments is going to land the power sector with a perpetual loss of enormous proportions which will have to be made good by the cheaper power produced by the much reviled SEBs. In fact, in this case, the suggested cure is much worse than the disease.

Liquidating BHEL

Why is the government embarking on a path which is sure to spell disaster? The first and foremost reason perhaps is that

the global power equipment manufacturers are bringing enormous pressures through IMF and World Bank to open up the Indian power sector to import of power equipment. The world power market, particularly in advanced countries, is totally depressed as their power consumption has remained static or have actually come down in the last decades. With no new investments coming in the home countries, the power equipment MNCs are looking to external markets. However, the existence of an indigenous power industry has meant that the equipment costs are much lower in India than in the west. Therefore, the only way that power equipment can come from the MNCs is through tied credit and equity participation. It is important to note that in tied credit, even if cheaper equipment is available locally, purchases have to be made according to the choice of the financiers. The initial global competitive bidding itself had pushed up domestic power equipment costs. In order to compete, the domestic suppliers had to meet the specifications framed according to World Bank approvals and this did see a substantial rise in costs. However, in spite of this, domestic equipment manufacturers have been able to maintain a clear price advantage and have bagged most of the orders in such competitive global bidding. It is not an accident that the cost per MW for BHEL boilers and turbines has been substantially lower than that where tied foreign credit was involved. BHEL sets were cheaper by almost a factor of 2 in most of these cases.[3]

The other reason could be that in line with current thinking, the government feels that the power equipment manufacturing concerns in the public sector should be 'aligned' to the MNCs. In other words, they would like to sell off BHEL, the only power equipment manufacturer on the global scene outside the MNCs line-up. The current policy of tied credit and imported equipment would ensure that BHEL has very little orders and thus facilitate this transfer. And the importance of multi-nationalising the BHEL lies in its removal as a potential global competitor. Even though BHEL's global presence is small, there is little doubt that it prevents complete cartelisation which has been the norm in this sector. With the current set of mergers, the number of players in Europe and the US has come down to virtually four. With another three from Japan, there are only seven MNCs now operating in the power equipment sector. Even a small player can cause a lot of problems for price fixation.

The above may appear to smack of conspiracy theories. However, in the absence of any logic for following such disastrous policies, it is difficult to find other reasons. The only other reason could be that if surviving on loans is the norm, then why bother about the future? As long as the current shortfalls are taken care of, it matters little what happens five years later. Either the policy-makers are foolish or they are knaves—that seems to be the only choice. However, can the country afford that the power sector be put in the red permanently in so cavalier a fashion?

To follow the path that the government has chosen, power tariffs have to be increased drastically. The arguments have already been forthcoming from the Fund-Bank axis that in India power is being subsidised heavily. But is this true? For proving that Indian power is being subsidised, the power tariffs are being compared across countries and it is being shown that in India, power tariffs are one-half to one-third that of advanced countries. However, how valid are the comparisons using foreign exchange rates? The rupee/dollar parity has little to do with the intrinsic value of the rupee as with the value of our exports against our imports. It does not indicate the buying power of the rupee in India. A much clearer picture would emerge if we examine the cost of power production in India as against the selling price of electricity. Here, it is true that the current realisation is 30 per cent less than the current production costs. However, even if this implicit subsidy is removed, the cost of Indian power is well below that of the advanced countries. If the cost of production of power is much lower in India, raising power tariffs to the level of those countries who are producing much more expensive power makes little sense. The subsidy element in the power sector is not so much in the general public being subsidised but in subsiding of electricity to agriculture and the theft 'subsidy' to the tune of 12 to 13 per cent of total generation. The consumers, domestic as well as industrial, pay tariff rates which are already as high if not higher than in-

Research Project on Strategies and Financing for Human Development

The United Nations Development Programme and the IDRC of Canada are jointly sponsoring a research Programme on Strategies and Financing for Human Development in India. The Project is managed by a National Coordinator and a Programme Advisory Committee. The thrust areas selected for research support are:

1. Access, Pricing and Financing of Education and Health;
2. Social Protection, including Food Security, Social Insurance and Employment Generation Schemes;
3. Demographic Transition and Development Alternatives.

These studies, while analytical, are intended to contribute to the formulation of more effective policies and programmes in these areas. The Project will particularly encourage studies which incorporate gender concerns and on the problems of backward states. An important objective of the Project is the training of a core group of relatively young researchers to continue research work in these thrust areas.

Potential researchers will be invited to workshops during July-August 1993 for finalising the research agenda. Interested scholars are requested to send a brief outline of their proposed study including its scope and relevance.

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house generation costs. Elasticity in terms of pricing really does not exist in these sectors.

It is not the purpose here to argue that all is well with the SEBs. Far from it. However, the current problems that the SEBs are facing are being utilised to push a scheme which will see the power tariff going up by at least three times, the loss of the country's power equipment sector and a future drain on the national exchequer of huge amounts. And the SEBs will continue to be in the red even after such huge tariff revisions as they will have to subsidise the power being produced by the proposed private and foreign power companies. Further, the power tariffs will be pushed up to the levels which will make this an item of luxury consumption only for the favoured few. If this is not a gigantic fraud on the people, what else is it?

The Alternative

It may be argued that any power at whatever the cost is better than no power. However, even by the Department of Power's own estimates, the country is going to invest from internal resources to add 28,000 MWs. What needs to be examined is whether alternatives exist to either use the same amount of investment for increasing the installed capacity beyond 28,000 MWs or in controlling the demand. Incidentally, both possibilities exist today.

It has been shown by S N Roy,[4] one of the most respected power engineers in the country, that there are other planning options available which are not being utilised. The load curve today shows that in future we shall be short of peaking power during day and have surplus power at night. This is already so in the eastern grid and also for much of the north. This is obviously because the demand during day is much higher than at night. However, the Department of Power is planning to add coal-fired power plants, nuclear power plants and combined cycle power plants, all of which are base load plants. The coal-fired power plants will have to be put either on two shift operations or a number of such plants will have to operate well below their capacity for those periods when the demand is low. Hydel power is ideal for peaking power but has come under severe environmental opposition. In effect, the Department of Power is planning on base load stations instead of peak load stations. It will be far more economical to add open cycle gas turbines in place of the combined cycle plants as these will meet peaking duty at much lower capital costs.

The second option is to introduce demand side management for power consumption. It has been computed that it is much cheaper to invest in reducing consumption rather than investing in new power generating plants. The lowering of consumption in Europe and the US has been mainly on this account. Thus a utility in the US gave out to its customers free compact fluorescents which consume only 20 per cent electricity compared to the normal fluorescents and avoided the installation of new power plants. In India, a study[5] suggests that even if 20 per cent of all lamps were replaced by compact fluorescents, there would be a saving of Rs 1,500 crore per annum.

The other possibility is to lower the capital costs by standardisation and replication of a basic design with only some modifications. The economics of standardisation can lead to a substantial reduction of costs, particularly if the capital crunch is recognised and designs are made accordingly. In the power sector, the tendency has been to build rather expensive plants in the name of reliability. The plant load factors have not shown any major improvements due to this, but the plant costs have gone up considerably. The above course can lead to reduction of costs by as much as 25 per cent to the cost of plants and should be the first option to be exercised. However, with import of capital, the power planning is moving in the opposite direction—more non-standard plants and consequently higher capital costs. It might be interesting to note that in the nuclear energy sector, US capital costs are much higher than European capital costs precisely because of this. The European plants have been standardised while the US ones are not.

Currently, the Indian planning process seems to be completely comatose. No long-term planning is being done to ensure a coherent energy policy which will evaluate various options and suggest a viable path. Instead, a few buzz words like liberalisation and privatisation are being used to substitute for hard policy. However, power policies cannot be formulated on such flimsy bases. For those enamoured of the South Korean experience, it might be interesting to know that South Korea nationalised the power sector in 1962 because of the problems with private power companies. To those who wear ideological blinkers, all this means little. The selling of India piecemeal is the game, and it matters little if future generations pay a heavy price for the activities of today's carpetbaggers.

Table: Cost Calculations Per Unit

Cost per MW	4	crore
Equity capital—1:4 debt-equity	0.8	crore
Loan capital	3.2	crore
Accumulated interest (construction four years)	56.4	lakh
Total borrowed capital	3.746	crore
Annual generation (68.5 availability)	6000000	Kwh
Units sent out (10 per cent aux consumption)	5400000	Kwh
Coal cost (yearly)	42.64	lakh
Interest on loan (8 per cent interest rate)	30.3	lakh
Return on equity capital (16 per cent)	12.9	lakh
Depreciation (3.5 per cent)	14.1	lakh
Operation and maintenance (imported spares 1.5 per cent)	6.0	lakh
Operation and maintenance (staff 1 per cent Rs)	4.0	lakh
Total hard currency component of annual costs	63.36	lakh
Total charges, @8 per cent annual depreciation of Re	132.8	lakh
Cost per unit at bus bar	2.46	Rs
Cost per unit distribution	0.36/1.0	Rs
Cost per unit distributed	2.82/3.46	Rs
Realisation at current tariff rates	0.81	Rs
Loss per unit	2.01/2.65	Rs
Loss per MW installed	108/143	lakh
Loss for 10,000 MWs	10,856/14,300	crore

(a) The costs of distribution in order to link the transmission systems are at least Re 1.00 per unit as against the current distribution costs of the SEBs of 0.24 rupee. Most of the proposed plants will require large investments by SEBs to link them to the grid. Therefore, Re 1.00 for distribution is quite reasonable.

(b) The costs have been shown in rupees for loan and equity portion of the capital but are actual hard currency costs. Therefore, an annual depreciation of the rupee cost has been added as the repayments have been guaranteed in hard currency.

Notes

1 P V Rangyya Naidu, minister of state for power, Rajya Sabha answer to unstarred question No 1,000, May 1993.

2 P V Rangyya Naidu, minister of state for power, Rajya Sabha answer to unstarred question No 988, May 1993.

3 K Vijaychandran, *Study Report on India's Power Sector: Problems and Prospects*, April 1992.

4 S N Roy, *IEEE Horizon*, Institute of Electrical and Electronic Engineers, Issue No 2, 1992.

5 Chris Cragg, 'Demanding Plans for Power Cuts', *New Scientist*, March 1993.

Burden of Proof: Danger Clause in Dunkel Text

Suman Sahai

In the TRIPS chapter of the Dunkel Draft, Article 34 contains the demand to reverse the burden of proof in cases involving process patents. In effect, the accused would be held guilty unless they can prove their innocence. This is standing accepted precepts of legal justice and human rights on their head. Its implementation to prevent farmers from saving seed of the protected varieties will also result in serious law and order problems.

THE Dunkel Draft, at the centre of a growing controversy, is widely perceived to be a document with a bias, seeking to defend the trade interests of developed countries at the cost of the developing countries. There are several clauses in the draft which would hurt Indian interests and those of the third world. One such is the demand to extend patent protection to plants contained in the section on Trade Related Intellectual Property Rights (TRIPS).

In the TRIPS chapter, Article 34 contains the demand to reverse the burden of proof in case of process patents. This clause reverses the onus for proving that patent infringement has taken place from the complainant to the defendant. This, as we shall see, is also the clause that makes it possible for patent-holders to enforce patents in the field, a task which would otherwise be impossible in countries like ours, where the rural areas are not organised and therefore not easy to police.

Reversing the burden of proof would mean that the one who makes the complaint that patent infringement is taking place, does not have to provide any evidence or proof in support of his charge. The person charged with the offence has to defend himself and prove his innocence. This in effect means the accused would be held guilty until he can prove his innocence. This is standing not only precepts of legal justice, but also human rights, squarely on their head.

If India were to accept the patenting of plant varieties, it would have devastating consequences for Indian scientists and farmers. It will mean that no further improvement in protected plant varieties will be possible without a licence from the patent-holder. It will also mean that seed multiplication except by the patent-holder will be against the law. Farmers will have to buy fresh seed from the patent-holding company for every sowing. The age-old rights of farmers to save seed from their harvests, for their own use, will be abolished. If farmers were to persist in using seed saved from their last crop to sow the next one, either because of ignorance of the new laws or because they could not afford the cost of new seed for every sowing or out of plain cussedness, it would constitute a patent infringement and be liable for punishment.

To demonstrate how reversing the burden of proof will start a chain of consequences with very negative effects, let us consider an example. Let us assume there is a local agent for a company holding the patent for the most successfully sold potato variety, situated in district Shahjahanpur of UP. This agent would know from the land revenue records that in and around the Shahjahanpur area, let us say, 10,000 acres are under potato cultivation each season. This agent, since he is the sole supplier of potato seed in the area, will know how much seed he should be selling if 10,000 acres of potato are being cultivated. If he finds that he is selling seed that will plant only 5,000 acres, then he knows that the rest is being planted with seed that the farmers have held back from the last crop. This, according to the new GATT rules, will constitute a patent infringement and give the agent the right to file a complaint. It can be safely assumed that seed agents will be ever vigilant in this respect. If farmers save seeds out of their harvests and do not buy fresh seed for every sowing, it will mean lower seed sales and therefore lower revenues for the patent-holding company.

With the reversal of the burden of proof, the seed agent does not have to provide any evidence or identity who exactly has broken the law, in which village or on which scale. He merely complains to the government that patent infringement is taking place in the Shahjahanpur area with respect to production of potato seed. The government then has to identify the offenders and penalise them to the satisfaction of the patent-holder.

In another variation, the patent-holder can charge the farmers of Shahjahanpur district with patent infringement. Since this will make little sense to farmers in Shahjahanpur, they will not be able to defend themselves, the collective nature of the charge will confuse the issue still further. If the patent-holder does not receive compensation from farmers for patent infringement, he can complain to GATT and demand action against India. Two things are possible then. The Indian government can be threatened with cross retaliation as penalty for not enforcing patent protection. This could translate into actions like slapping higher import duties on our tea exports to one of the OECD countries or perhaps reducing the quota of textile imports from India into the US. Or the government will have to forcibly get the farmers of Shahjahanpur to pay what is claimed as compensation.

What will be the effects of these bizarre new provisions if they are implemented? For one, the government will be caught up in constant litigation, for which it will

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have to bear the costs. It is unlikely even when farmers have been informed of the new laws that will govern their agricultural practices henceforth that they will simply accede to them. In all likelihood they will defy the laws that make little sense to them and that are so obviously against their interests.

To protect itself from the constant threat of cross retaliation, or from having to forcibly realise payments from its farmers, the Indian government will be forced to use its local administration to police the otherwise ungovernable hinterland to ensure that farmers abide by patent rules. The direct outcome of this step will be to magnify several times the opportunities for corruption in rural areas with the farmer as victim.

To enforce patent laws for plant varieties and to prevent farmers from saving seed of protected varieties, the government will have to rely on the local administration. So it will be lower level revenue and police officials like sub-inspectors of police, 'patwaris' and tehsildars who will be entrusted with the task of policing the implementation of patent laws. It is these people who will be empowered to certify whether Ram Din or Mushtaq Ali has broken the law and replanted a crop with seed that they had saved from the original variety. This authority will place the farmers so completely at the mercy of these officials that they would become vulnerable to constant extortion, whether they were at fault or not.

Thinking the consequences through, it becomes quickly apparent that these steps could have explosive political consequences. Once the farmer begins to realise that his government is penalising him so that large seed companies owned by foreigners can claim their profits, he will be up in arms. More so since he will be penalised for doing what he and his forefathers have always had the right to do.

If the farming community rises to defend its rights, rural India could see very turbulent times. The realisation of the injustice being done to them will lead to defiance of the new seed laws and to large-scale protest and violence. The generation that saw British rule and was engaged in the freedom struggle is still with us. They see parallels between the situation created by the new GATT laws and the way the East India Company which came to trade stayed on to rule India for 200 years.

Often at Gene Campaign meetings in small towns, once the consequences of patenting have been understood, this aspect is discussed, mostly by the older people. One thing is clear, not only is reversing the burden of proof a blow to the rights of individuals, its implementation could have a serious fall-out, affecting law and order in the land.

The Commerce Ministry's position is that the clause on burden of proof is harmless, that it is already admitted under the Indian Evidence Act and therefore implying that accepting it would not create new adverse precedents. This is false. The fact is that burden of proof under Indian law is reversed in only two extreme conditions, both crimes of a highly sensitive social nature. One is in the case of rape, the other in what is called a dowry death.

The reversal clause is in fact the very instrument by which the protagonists of patenting hope to enforce patent laws. Without this, policing would be impossible in the villages of India. China which like us was penalised under the US Trade Act Special 301 for not providing adequate patent protection, recently conducted bilateral negotiations with the Americans to settle the conflict. China acceded to process and product patents in the chemical and pharmaceutical sector (but not living organisms). It however resolutely refused to accept reversing the burden of proof. There is a lesson to be learnt here.

Patna By-Election: Significant Contest

Krishna Chaitanya

Almost all the left parties have supported a single candidate against the BJP sending a message to progressive forces to join hands against communal fascism.

IF all goes well people of Patna may finally have their representative in the Lok Sabha after a gap of almost two years. The by-election for this Lok Sabha constituency is scheduled for May 19. Always a prestigious seat, this time election for this seat has acquired added significance.

Election for this seat had been countermanded by the Election Commission during the 1991 general election. The whimsical and totally unjustified countermanding had been challenged by the Janata Dal (JD) candidate, Indra Kumar Gujral, and the Samajvadi Janata Party (SJP) candidate, Yashwant Sinha. Following Gujral's election to the Rajya Sabha, the JD withdrew its petition. So did the SJP. And this paved the way for the by-election. What has provided added significance to the Patna by-election is that both the CPI and JD, otherwise allies in national and state politics have fielded candidates while the CPI (ML-Liberation) and the Indian People's Front (IPF) have decided to actively support the CPI candidate.

The CPI has always been a major force in this constituency. It has either won the seat as in 1967, 1971 and 1980 or has finished close second as in 1957, 1962, 1977, 1984 and 1989. In 1989 the CPI had lost the seat due to a split in left votes as both the CPI and IPF had fielded their candidates. The combined votes of the CPI (1.59 lakhs) and IPF (52,000) far outnumbered the 1.79 lakhs polled by the BJP. Another 45,000 votes had been polled by the JD candidate.

During the 1991 elections, however, the CPI had withdrawn its candidate in view of the complete seat adjustment among the non-BJP, non-Congress parties and in favour of the JD candidate, Indra Kumar Gujral who was not only a national leader of the party but also regarded as a fellow traveller by the CPI. Though election for the Patna seat had been countermanded, complete seat adjustment among the CPI, CPM, JD and JMM had ensued a significant reduction in the BJP's strength from nine to five and a complete routing of the Congress(I) which could bag just one seat. This time the JD has re-laid its claim to the seat and has fielded a little known man, Ram Kripal Yadav, as its candidate. Yadav had earlier fought from the Patna west vidhan sabha constituency and lost. The JD claims that as part of the seat adjustment during 1991 elections, the JD had 'given' Munger seat to the CPI in exchange for the Patna seat. But the CPI calls the JD's claim totally baseless since the CPI had been given Munger seat in return for the Gaya seat which the JD was claiming but where the CPI had stood second in the 1989 elections while the JD-supported BJP candidate had won the seat.

Performancewise also the JD's claim over the seat is unjust. The only time it contested the seat was in 1989 and miserably lost. It stood a poor fifth and forfeited its security deposit, despite having fielded a yadav candidate in this yadav-dominated constituency. Even the IPF had secured 7,000 votes more than the JD. The CPI's spectacular record has already been described above. Despite several rounds of talks between the JD representative, the Bihar CM Laloo Prasad and CPI's cen-

tral and state leadership, the former has refused to withdraw the JD's candidate. It is this 'friendly contest', as Laloo Prasad calls it and the active support extended by the CPI (ML-Liberation) and the IPF to the CPI candidate which has given added significance to the Patna by-election.

Since both the CPI and JD candidates happen to be yadavs, the result of the by-election would show whether yadavs are arraigned on caste or class lines. So far yadavs have been supporting the CPI. In recent times CPI (ML) forces have also made their presence felt in Patna district as in other parts of Bihar. The recent massacre at Harinathchak in March last showed that class solidarity had taken root among the yadavs.

In the Harinathchak incident while the neo-rich yadavs organised under Kisan Sangh had no hesitation in taking cudgels on behalf of a bhumihar landlord belonging to the Sangh and attacking yadav poor peasants, organised in this case by the CPM (ML-party unity) who had overcome caste feelings to stand against yadav kulaks. The CPI(ML) and IPF-supported CPI candidate's victory would show that class polarisation has indeed taken root among the yadavs while the performance of the JD candidate would show to what extent Laloo Prasad's yadavisation attracts the yadavs.

Besides the Yadavs, the other dominant caste group in the Patna constituency are the kayasthas. A spineless community as far as political conviction is concerned and a major contributor to the state's clerkdom and bureaucracy, the kayasthas have always voted on caste lines. For instance, in the 1984 elections, the kayasthas voted *en masse* for the independent candidate, Lt Gen S K Sinha. In the 1989 elections they voted *en masse* for the BJP candidate, S N Srivastava. In the countermanded 1991 elections, however, the kayasthas changed loyalty and voted for Yashwant Sinha despite knowing that Sinha stood no chance of winning. Sinha's background in the elite IAS was the main attraction to a community whose only aspiration is of getting a foothold either in the elite IAS-IPS, the provincial bureaucracy or the clerkdom. Since then, however, BJP's advocacy of Hindutva and the new economic policy has found staunch supporters in the community. Not only has the BJP fielded a kayastha candidate for the seat but has roped in the film star, Shatrughna Sinha whom every kayastha sees as its representative in the film world, to campaign for the party.

Besides the assured support of the kayasthas, its traditional vote bank of traders and the new and growing vote bank of service sector professionals, the BJP would be greatly benefited by the total decimation of the Congress(I) in Bihar. In this context, it would be interesting to watch the relative performance of the BJP and Congress(I) as it would show to what extent the former has gained at the expense of the latter. The Congress(I)'s support-base has been among the bhumihars who have a significant share of votes in Patna besides the rajputs, brahmins and Muslims. So pathetic is the condition of the party in Bihar that its leader Jagannath Mishra supposed to be having the largest mass following among the state's party leaders recently appealed to the film star-turned MP Rajesh Khanna "to provide leadership to the demoralised Congress(I) ranks" in "this hour of crisis". And Congress(I)'s loss is widely believed to have benefited the BJP which has emerged as the more formidable protector of upper caste interests, brahmanical social order and the elite consumption-oriented new economic policy. Any accretion in the votes polled by the BJP would show that the traditional supporters of the Congress(I), upper castes like bhumihars, brahmins and rajputs have moved towards the BJP.

Also interesting would be the voting behaviour of the Muslims. Before the 1989 elections the Muslims used to support the Congress(I). The Bhagalpur riots however changed all that and in the 1989 elections they voted for the CPI candidate following its secular credentials. Since then, the left's painstaking work among the masses and the government's commitment to maintain communal harmony has ensured peace and amity on the communal front in Bihar. The voting behaviour of the Muslims would show who they see as a more dependable secular force, the left or the JD. Another factor is the Kisan Sangh under which landed elements from various castes have organised themselves in Patna. Ramlakhan Singh Yadav, the man behind this body is an old Congressman who at the time of 1991 general elections joined the JD and then defected to JD(A). The JD(A) has withdrawn its candidate in favour of the CPI. Yadav would obviously not like to deploy the muscle power at the disposal of the Sangh for the victory of the CPI. It would either be for the BJP or Congress(I). Given that the CPI(ML) and IPF have decided to actively work for the CPI candidate they will definitely resist the booth-capturing by the Kisan Sangh lumpens.

By all indications it is going to be a fight between the CPI and the BJP and in today's context it means a fight between progressive secular democracy and regressive communal fascism. Not only CPI (ML Liberation) and IPF, but also MCC, MCPI, SUCI, Forward Bloc and RSP have extended their support to the CPI candidate and have decided to campaign unitedly for the CPI candidate although the CPI(M) has not yet decided whom to support. This sends a clear signal to the anti-Congress(I) anti-BJP forces throughout the country to join hands against communal fascism and imperialist-dictated economic policy. Admittedly the victory of the left candidate would not be as easy as it would have been if the JD were not in the fray. But even if the BJP wins by default due to a split of anti-Congress(I) anti-BJP votes, the message would still be the same. The performance of the left candidate would also serve as a lesson to the CPI that it is futile playing second fiddle to the JD and instead of that the CPI should firstly strive for unity of the left forces since it gives better bargaining power to the united left *vis-a-vis* the other non-BJP non-Congress(I) forces.

The Indian Association for the Study of Population announces an Essay Competition under Chandrasekaran Award. The essays written on "Population Growth and Sustainable Development" by young scholars (below 40 years) are invited. First prize Rs.1,500/-, second prize Rs. 1,000/- and third prize Rs.750/-.

The articles for inclusion in the competition should reach Prof. P.C. Saxena, I.I.P.S., Govandi Station Road, Deonar, Bombay-400088 by 15 October, 1993 at the latest.

GUJARAT

State-Sponsored Attack on 'Pani Parishad'

Shripad Dharmadhikary

The Gujarat government has unleashed a systematic campaign to intimidate and silence the movement protesting against the Narmada Project.

ON May 8, about 40-50 hooligans stormed into the Shreyas Foundation Hall in Ahmedabad where the 'Pani Parishad Convention on Water' organised by the Jal Raksha Abhiyan (JRA) and *Abhiyan* weekly was in progress. The hooligans were shouting slogans like '*Medha Patkar vapas jao*' and '*Narmada Yojana banke rahegi*', etc. And even as the keynote address was being delivered by B B Vohra, they snatched away the microphone, started destroying property, beating up and threatening participants, and declared that "all those opposing the Narmada Project must leave the hall immediately—or else they will be beaten up".

The Jal Raksha Abhiyan is an informal group of individuals/organisations working and interested in the water-related issues in Gujarat. The aim of the Abhiyan is to undertake research and campaign on the issues related to water, and initiate a people's movement towards a participatory, community controlled water management practice. The Pani Parishad was being held with the purpose of facilitating wide-ranging and intense discussions on the water problem of Gujarat. Narmada was neither the central theme of the Parishad, nor was it an anti-Narmada programme. In fact, to involve as many diverse opinions as possible, the organisers had invited, apart from NGOs, social action groups and experts, all the MLAs, MPs and taluka pramukhs (heads) of Gujarat. Navin Shastri, the Gujarat minister for rural development, had also sent a message, commending the effort and sending his best wishes to the Parishad. Many MLAs, political figures and prominent people from Gujarat and outside had confirmed their participation. Among them were Jaynarayan Vyas, Praveensingh Jadeja (both MLAs), Mahesh Thakker (former MLA and prominent political figure of Kutch), Kishor Sant (prominent Gandhian and recipient of Vrikshamitra Award), Anil Shah, director of the Aga Khan Rural Support Programme, etc. The trouble began when the invitations to the Parishad mentioned that one of the speakers invited was Medha Patkar of the Narmada Bachao Andolan (NBA) who had been invited as one of the speakers for the session on Narmada Project and Gujarat's Water Policy on the second (and final) day.

Some people seemed to find this objectionable, and a few days before the Parishad, the management of the hall received telephonic threats from one Leelaben Desai of the Ekta Parishad—an organisation whose head is the wife of the chief minister Urmilaben Patel. A number of phone calls followed, asking the management to refuse to give hire the hall out to the Parishad. The management remained firm. The organisers promptly informed the police commissioner of Ahmedabad and the police station about the threats and requested protection. This was done in writing.

On the morning of May 8, when the Parishad was to begin, the police were conspicuous by their absence. It was around 12.00 noon, that the hooligans pushed aside the two security guards at the gate and stormed into the premises. Shouting slogans, they broke into the hall as the keynote address was being delivered by Vohra. They all went in front of the dais, snatched the mike away, and started screaming slogans. And then, suddenly, they went on a rampage. They threw down the mike, broke it, and started using the iron rod to destroy more property. Banners, charts, maps were torn off. Wooden frames (to hold banners, etc) were broken and the sticks used as weapons. Beds, pillows, chairs were thrown about. Tubelights were smashed. All the while, the delegates tried to sit peacefully, offering neither resistance nor provocation, expressing their protest in a non-violent manner.

The hooligans started threatening, beating up, abusing the delegates. Anyone who said anything, was immediately targeted. They started shouting "where is Megha (Medha)"? When Ashwini Bhatt, a prominent Gujarati writer, literary figure said that she had not come, the hooligans attacked him and tried to beat him up. They also tried to beat up others. Those who were more seriously hurt included Mahendra Upadhaya, Diptiben Raju, Raju Purohit, B B Vohra, Kishor Sant, and Ketan Sanghvi (editor of *Abhiyan*). The hooligans also tried to molest Diptiben (a Gandhian social worker), and were using most abusive language against women. All the while, they asked all those who opposed the Narmada Project to leave immediately or would be beaten up. Raju Purohit was beaten up because he said that he was opposed to the project.

After about half an hour's destructive, violent action, the hooligans started leaving. Some of them were easily identified. Most belonged to the NSUI or the Youth Congress(I) and claimed to be supporters of Urmilaben Patel. Many of them were drunk (smelling of liquor heavily)—Gujarat is a dry state. Some of those identified included Ashish Amin, Sunil Jikar, Mihir Shah, all of the NSUI. The fact that the police had not given any protection in spite of prior intimation, clearly indicate the connivance of the state, the police, the ruling party in the matter. It clearly exposes the fascist tendencies of the Gujarat government which is not allowing anyone the freedom to express their views about the Narmada Project. This violent attempt to curb the fundamental rights of the people needs to be strongly condemned.

Immediately after the hoodlums left, the delegates strongly condemned the incident, and resolved to continue the discussions with Medha Patkar participating on the second day. Meanwhile, Raju Purohit, Kishor Sant, Diptiben Raju and Girishbhai Patel went on a one-day fast to protest against the event. Later in the day, a statement signed by about 35 organisations was issued condemning the incident.

This event is not an isolated one, but is part of a systematic campaign launched by the state and the ruling party in Gujarat to intimidate and silence the movement against the Narmada Project and anyone who believes that its voice should be heard. On March 26, Congress(I) workers staged a violent demonstration and tried to prevent Medha Patkar from entering the venue of a public meeting to be addressed by her. On April 22, a violent mob of the workers of the ruling party threatened and threw stones on the peaceful demonstration by the NBA at Naswadi town (Baroda district). The NBA was protesting against the rape on a tribal woman, Budhiben. The following week, two meetings of Medha Patkar were disrupted by violent mobs who threw eggs and tomatoes, shouted threats and blackened Patkar's face. The mobs were led by known Congress(I) worker Nimaben Acharya. The police, present on the occasion, were mere spectators. In all the incidents, the key elements have been violence and abuse, participation by members of the ruling party, and inaction of the police. The issue is clearly not at all whether the Narmada project is good or bad but of the basic right to freedom of thought and speech. It is this that is being attacked.

Law and Women in Unorganised Sector

G Ravindran Nair

Most women workers are in the unorganised sector where the labour laws, which exist, are most lax in the implementation.

JHANJUBAN is a 60-year old 'masala' grinder in Bhavanagar, Gujarat. In the peak season she walks the streets of middle class neighbourhood, calling out for work. She stoops to sit in the courtyard, or even on the street, and pounds spices in her iron vessel. Her customers pay her by the kilo (around Rs 2) and a few are more reasonable than others. Some want fine masala, and give her a small sieve for sifting it. Some weigh her work after she finishes her job, so the loss due to seeds and stems falls on her. Her three sons are construction workers living and working elsewhere. She borrows money from a neighbour until she earns something or until her sons help her pay her debt. She has been doing this work ever since she was six years old. Miserable indeed is the plight of such Jhanjubans in the country who must slog all through their life for mere survival.

Seventy-five per cent of the four lakh coir workers in Kerala are women. There is a threat from the neighbouring Tamil Nadu where new husking machines are being introduced and only men are being employed on these machines. The minimum wage is officially Rs 11.80 for this work, but they cut it down to piece work and women earn a niggardly Rs 8. Their work involves soaking the coconut shell and the green husk so that they can extract the fibre inside. They beat the husk to prepare the fibre for spinning, a job performed either by hand or machine. Gomati has been doing this job ever since she was 12. She had studied up to IV standard. She is now 46. Her husband deserted her long ago, and her daughter, also deserted, lives and works with her. Her sons live separately. Gomati earns Rs 15 a day for husking and spinning 100 coconuts.

The number of women construction workers in Tamil Nadu is around five lakhs. Contracting and sub-contracting reduce these women workers to an abysmally low status. Women occupy the lowest rung, though they do masonry, earthwork, mosaic work, roofing and concrete work. Although these are skilled jobs, and backbreaking too, these women construction labourers are debunked as 'unskilled labour' and exploited in umpteen ways, flouting all laws and canons of humanity. Instances of the merciless of exploitation of women workers in the informal sector could be as many as the number of such women struggling for a subsistence living in a wide gamut of sectors as agriculture, sericulture, animal husbandry, fisheries, handlooms, bidi industry, dairying, handicrafts, garment-making, food processing, domestic work, construction industry, etc.

According to the ministry of labour almost 90 per cent of the female labour force in India comprises women in the informal sector, but paradoxically, all the laws made so far have been made with an eye on the women in the organised sector which forms a mere 10 per cent of the workforce. This has resulted in the marginalisation of a majority of women workers. So much so, the definitions of 'work' and 'production' as they exist today, whether in the census or in other surveys on work, are such that subsistence production and services provided by women are either ignored or taken into account marginally.

A cardinal feature of all labour laws is that all the enactments pertaining to social security, welfare, safety and working conditions and the like is based on the presumption of an employer-employee relationship. Hence arises the need to define an employee and an employer because the law places the onus on the employer to dispense the benefits as ordained by the statute. But in respect of the amorphous mass of women workers in the unorganised sector, either the employer keeps on changing frequently, as in agriculture or construction work (where assured employment for a minimum period in a year is itself in doubt), or there is no direct relationship with the ultimate employer as in the case of occupations where the only point of contact for the worker is a lower level intermediary like a contractor or sub-contractor—a phenomenon that pervades the bidi-rolling industry, or agarbatti-making trade or the entire home-based work and the construction industry.

While there is enough scope and need to improve the contents of the existing labour legislation, one finds shockingly enough that the enforcement machinery is itself ill-equipped to do its onerous job. Provisions of the law are imprecise and nebulous, making them a subject of raging war of words in the corridors of courtrooms. The penalties provided by law for violation are inadequate and the participation of the workers in the enforcement of the law is totally absent. The adjudicating machinery and the magistracy are too far removed from the workers and from their homes for them to seek sanctuary in the corridors of justice without considerable loss of time or wages.

If we choose to examine each piece of legislation, we can easily discover yawning loopholes when women labourers are concerned. Take the Minimum Wages Act, for instance. The act, as it stands now, merely provides, among other things, a mechanism for fixing and revising the minimum rates of wages, but does not give any guidelines as to the basis on which the minimum wages are to be fixed or revised. In fixing and revising the minimum rates of wages, the basic needs of the worker and her family are not kept in view. While revising the minimum wages, the authorities should take cognisance of the changing poverty line on the basis of shifting price index. In respect of home-based women workers—by and large, excepting for handloom, most home-based workers are women—it is seen that the employer is saved from incurring not merely expenses relating to setting up of a factory, installing equipment but also expenses for supervision and control.

The problems of the inter-state migrant workers do not receive any attention despite the Inter-State Migrant Workers (Regulation of Employment and Conditions of Service) Act 1979. There are other pieces of legislation like the Contract Labour (Regulation and Abolition) Act, 1970, the Maternity Benefit Act, 1961, Equal Remuneration Act, 1976, etc, which are either badly implemented or violated.

The Bidi and Cigar Workers (Conditions of Service) Act, 1966 is an important piece of legislation since bulk of the home workers in bidi rolling are women. Here too the women are taken for a ride. Invariably, the employer is reluctant to register his women workers in his books and issue identity cards and log books for them. As a result women workers do not get benefits provided by law; even wages are not paid to them directly, but to the male members of the household whose names alone, in most cases, figure in employer's books.

One of the worst cases of legal violation is in respect of the pitiable plight of the construction workers. The poor women work under an employer or more often under a contractor or sub-contractor for short periods and move from one employer to another as also from one location to another with no guarantee of continued employment. This absence of continuing relationship between a construction worker and his employer with the system of contracting and sub-contracting, makes it difficult for the women workers to get wages on a regular basis. Women labour is denied all the benefits including the facility of creches for the tiny tots who are left in the charge of the older girls, who, just because they do all the baby-sitting, seldom go to schools. A few mobile creches provided by voluntary agencies have only pointed to the wide chasm in the services.

The National Commission on Self-Employed Women and Women in the Informal Sector which submitted its report a few years ago recommended the setting up of a separate wing in the union labour department to deal with the problems of unorganised labour. The Commission felt that the strength and prestige of this wing would have to be commensurate with the responsibilities towards this sector of labour which accounts for 90 per cent of the total workforce.

Inter-Regional Variations in Health Services in Andhra Pradesh

Rama V Baru

Economic development and availability of investible surplus, commercial activity and infrastructural facilities appear to be the major features determining the spread of health services in the private as well as the public and voluntary sectors. A comparative study of advanced and backward districts in Andhra Pradesh.

IT is well recognised that the health status of a population is shaped by a variety of factors like food, water, sanitation, housing, income, education and availability and accessibility to health care facilities.[1] Health services are just one of the inputs required to improve the health status of a population. Just as health status is influenced by socio-economic factors, similarly, health services are shaped by socio-economic and political factors in society.[2] These factors play an important role in influencing decisions regarding policy, amount of resources allocated, choice of technology, manpower development, education and priorities in research, which in turn shape health services in a given region.[3]

Studies which have looked at health services development in India have confined their attention to the national level. These studies have pointed out that public services are essentially curative, capital intensive and are oriented towards urban areas. As a result, it is not surprising that two types of sub-systems exist simultaneously. One consists of the ill equipped primary health centre network for rural areas which is starved of resources and the other is the better equipped hospital network in urban areas which gets the lion's share of the total resources.[4] Apart from the public sector which is state supported, the private and voluntary sectors also provide health care. The private and voluntary sectors were well entrenched in the colonial period itself and ever since independence they have expanded significantly. While information on these two sectors is not easily available a few studies have commented on their sizeable presence in providing health care.[5] In addition to this, one finds that while the 60s was the growth period for health services, there has been a gradual decline in expenditures through the 70s and 80s.[6] This has been an important reason for the growth of the private sector, which has grown significantly since the mid-70s.[6] (Based on information published by the Central Bureau of Health Intelligence.)

Hence any effort at health care planning has to take into account the public, private and voluntary sectors. The issues that need to be addressed are rural-urban disparities in the provision of services as well as the inter-regional disparities across states. While studies at the national level give us indications of broad trends, they provide little information on variations across states. Keeping in mind the size and diversity of the country the Bhore Committee had recommended that health services was to be a state subject. While the centre was to provide policy directions, the states had full authority with respect to resource allocation, location and administration of institutions.[7]

This article focuses on the inter-regional differences of allopathic health services provided by public, private and voluntary sectors within Andhra Pradesh. We look at two economically advanced districts, viz, Krishna and Guntur which belong to the coastal Andhra region, and two backward districts, viz, Mahbubnagar and Medak which belong to the Telengana region.

Government Health Services

A review of policy relating to health care in the state indicates that the outlay on medical and public health has been meagre while the priorities have been on strengthening allopathic medical education and curative services. There are 337 allopathic hospitals, 786 dispensaries, 906 primary health centres and 6,121 subcentres functioning in the state. The total bed strength in this sector is 29,096. On an average there is one bed for 2,018 persons. There are 5,814 doctors and 5,663 nurses employed in this sector that is, one doctor for 10,097 persons and one nurse for 10,366 persons. There are 1,250 health visitors, 637 health supervisors, 5,012 auxiliary nurse midwives and 10,225 midwives in the state.

Information on the private sector is limited. Information is available only for 21 of the 23 districts. Available data indicates that there are 22,192 beds in the private sector. (The indicated bed strength is an approximation and the actual figures may be much higher.)

The number of personnel employed in the private sector is not available. The total bed strength in the voluntary sector is 7,013, and according to available information 373 doctors and 1,816 nurses were employed in this sector in 1981. The total bed strength in the private and voluntary sectors is thus almost as large as (29,295 as against 29,096) the government sector. The total number of institutions, bed strength, bed/population, personnel/population ratios are only averages and tell us little about how these services are distributed across districts.

Public Sector

The public sector bed/population ratio for the advanced districts is more favourable than for backward ones but from 1961 onwards the gap has narrowed.

An additional factor that has to be kept in mind is that Guntur had a teaching hospital even before the formation of the state. The teaching hospital at Krishna is recent and the two backward districts do not have one at all.

There has been a substantial growth of district and taluk hospitals in Krishna district during 1961-81. In Guntur, there has been only a marginal increase in taluk hospitals and a substantial increase in teaching hospitals; in Mahbubnagar a marginal increase in beds in taluk and district hospitals and in Medak there was substantial increase between 1961-71

Table 1: Hospitals in Selected Districts of Andhra Pradesh

Districts	No of Hospitals	Total Bed Strength	Bed/ Population Ratio
Krishna	15	976	1:3122
Guntur	14	1493	1:2300
Mahbubnagar	18	438	1:4410
Medak	11	478	1:3780

Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1987.

Table 2: Bed/Population Ratio in Selected Districts for 1961, 1971 and 1981

Districts	Years		
	1961	1971	1981
Krishna	1:4663	1:3682	1:3663
Guntur	1:3751	1:2130	1:2331
Mahbubnagar	NA	1:5220	1:5770
Medak	1:15337	1:7226	1:5377

Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1986.

(mainly in 1968-70) in both district and taluk hospitals.

The PHC/population ratios presents little variation across the two sets of districts. This is in keeping with directions prescribed by the centre regarding PHC/population ratios (Table 4). With the introduction of manual PHCs in 1986, the PHC/population ratio is more favourable for the backward districts.

Table 5 shows that the number of sub-centres have increased in all four districts and there is very little variation in the sub-centre/population ratio. Unlike PHC/population ratio, the sub-centre/population ratio is poorer in backward districts than in others.

The doctor: population ratio in Krishna is 15,711, 7,290 in Guntur, 14,461 in Mahbubnagar and 12,907 in Medak. There has been a steady increase in the number of doctors in backward districts from 1961 (Table 6). Differences have narrowed, however Guntur has a more favourable ratio due to the teaching hospitals there.

A fairly high percentage of the post of civil surgeon and civil assistant surgeons (hospitals) have been filled while only 56.9 per cent of the posts of civil assistant surgeons (PHC) are filled in Krishna, 74.2 per cent in Guntur, 47 per cent in Mahbubnagar and 67.3 per cent in Medak. In general, a higher percentage of these posts have been filled in the advanced districts than backward districts with the exception of Medak which has a higher percentage of posts filled in PHCs compared to Mahbubnagar. This is mainly because of the proximity of Medak to Hyderabad, as a result of which doctors posted to PHCs in Medak live in Hyderabad and commute to work. However this does not give us any information on the number of doctors who have availed of long leave after joining duty, nor about the regularity of their attendance at the PHC.

There has been a substantial increase in the number of nurses in selected districts since 1968 with the rate of increase being higher in the two backward districts between 1976-86 (Table 7).

However a higher percentage of nursing posts are filled in Krishna and Guntur (90-100 per cent), the more advanced districts than in Mahbubnagar and Medak where only 48 per cent and 41 per cent of the posts are filled.

The ANM/population ratio is better in the advanced districts and while almost 98 per cent of the posts are filled in the advanced districts, only 77-82 per cent are filled in backward districts (Table 8).

There is little difference in the percentage of posts filled in selected districts, however the health inspectors (HI)/population ratio is better in the advanced districts compared to the backward districts (Table 8). Despite the relatively higher percentage of posts filled, the difference in HI/population ratio exists because the number of posts sanctioned in the backward districts is lower.

A high percentage of health visitor (HV) posts have been filled in all the selected districts with a more favourable HV/population ratio in advanced districts as compared to the backward ones (Table 8).

A review of various categories of personnel in the public sector shows that there is no significant difference between the two sets of districts in the case of doctors. There is a difference in the personnel/population ratios across selected districts for nurses and paramedical workers. The paucity of paramedical staff in backward districts affects the functioning of PHCs and SCs in these areas. Therefore although there is little variation in PHC/population ratios across districts, it is quite evident that PHCs and SCs in backward districts are poorly staffed as compared to the advanced ones.

Distribution of Institutions

Ratios such as PHC/population, SC/population or personnel/population tell us little about how these institutions are distributed within a district. Here one has to take into account the location of institutions, along with development of infrastructural inputs like roads and transport facilities, which are important determinants for availability and utilisation of institutions.

According to the district census handbooks in Medak and Mahbubnagar 83 per cent and 77.5 per cent of the village fall in the population range of below 499-1,999, respectively. In Krishna 81.5 per cent of the villages fall into the population range of 500-4,999 and in Guntur 73.5 per cent of the villages fall into the range of 500-4,999. Therefore there is variation in the size of settlement patterns across the two sets of districts. However, if one examines the location of medical amenities they are concentrated in villages with a population of 5,000 and above in all four districts: 92.86 per cent of the amenities in Medak, 87.10 per cent in Mahbubnagar, 77.12 per cent in Guntur and 79.22 per cent in Krishna. This reduces accessibility to services especially in backward districts where villages are smaller and are more dispersed. The two advanced districts have a higher percentage of villages connected by 'pucca' roads: 72.4 per cent of the villages in Krishna and 87.28 per cent in Guntur while Mahbubnagar has 58.23 per cent and Medak has only 47.72 per cent of its villages connected by pucca roads. This would definitely hamper accessibility to

Table 5: Sub-Centres in Selected Districts

Districts	1981-82	1984-85	1985-86
Krishna	239	319	344
	(8602)	(6445)	(5976)
Guntur	227	337	357
	(10,960)	(7382)	(6969)
Mahbubnagar	206	263	298
	(10,567)	(8277)	(7305)
Medak	156	183	208
	(10,192)	(8688)	(7644)

Note : Figures in parenthesis represent the sub-centre population ratios.
Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1987.

Table 3: Increase in Bed Strength in District and Taluka Hospitals in Selected Districts

Districts	1961		1971		1981	
	District Hospital	Taluka Hospital	District Hospital	Taluka Hospital	District Hospital	Taluka Hospital
Krishna	350	88	495	182	595	237
Guntur	600*	202	905*	210	945*	308
Mahbubnagar	NA	NA	125	225	145	283
Medak	20	60	80	123	80	156

* Teaching Hospital.
Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1986.

Table 4: PHCs and PHC:Population Ratios in Selected Districts, 1961-1986

Districts	Years						
	1960-61	1968-69	1971-72	1975-76	1981-82	1984-85	1985-86
Krishna	8 (1.9)	22 (0.72)	22 (0.82)	22 (0.82)	22 (0.93)	22 (0.93)	40 (0.51)
Guntur	18 (1.3)	22 (1.08)	23 (0.92)	23 (0.92)	24 (1.03)	24 (1.03)	46 (0.54)
Mahbubnagar	3 (2.86)	23 (0.62)	23 (0.76)	23 (0.76)	23 (0.94)	24 (0.90)	51 (0.42)
Medak	9 (1.25)	15 (0.75)	15 (0.89)	15 (0.89)	16 (0.99)	16 (0.99)	35 (0.45)

Note : Figures in parenthesis represent the number of PHCs per lakh population.
Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1987.

medical amenities in backward areas. A study conducted by the state government on distribution of villages according to distance from PHC showed that the coverage in advanced districts was better: 72 per cent of the villages in Krishna and 70 per cent of the villages in Guntur within 15 km of a PHC. In backward districts 58 per cent of the villages in Mahbubnagar and 61 per cent of the villages in Medak were within 15 km of a PHC (Table 9).

Ashish Bose[8] who has done a similar exercise for a few north Indian states points out that little attention is paid to variation in size of settlement patterns in the health policy. This has resulted in a blanket approach to the location of institutions irrespective of population density or size of settlement patterns. These differences become even sharper when one takes physical accessibility, i e, how many villages are linked with roads and availability of transport facilities.

Private Sector

While the public sector has expanded considerably, so has the private sector. Private medical practitioners in rural areas are often untrained persons dispensing allopathic medicine and their presence is fairly widespread across districts.

Available data on nursing homes indicates that the advanced districts also have a higher bed strength relative to population compared to the backward districts (Table 11). The growth of private nursing has been significant in the advanced districts with the bed strength in the private sector double that of the number of beds in the public sector (Table 12). The Indian Medical Association membership can be taken as a supportive index for private institutions and it is seen that there are more members in Krishna and Guntur than the backward districts.

The highest concentration of nursing homes in the advanced districts is in cities followed by towns. Even in backward districts they are restricted to major towns. Basically they are urban-based and provide mainly curative services with little public health input.

Institutions in the voluntary sector are essentially run on a non-profit basis. The majority of these agencies are run by missionaries. The distribution of voluntary agencies across selected districts, both in terms of number of institutions and bed strength is skewed in favour of advanced districts. Although year-wise information is not available regarding establishment of institutions, several dispensaries were established during the turn of the century by missionaries in Krishna and Guntur districts which were under Madras Presidency. In Medak and Mahbubnagar which were under Nizam's rule, comparatively fewer hospitals were established by missionaries during the early 1900s. This difference still persists in a stark fashion.

The distribution of voluntary agencies is not only skewed in favour of advanced districts but even within these districts, there are more agencies in the advanced taluks. The availability of pucca roads, electricity and communication seems to influence location of agencies. This partly explains why there are more agencies working in the relatively advanced taluks in Krishna and Guntur. In Mahbubnagar and Medak there are not only fewer organisations but most are without electricity, or a post office though not all of them had pucca roads. Another noteworthy feature is that the proximity of these backward districts to the city, Hyderabad, becomes an important factor in the location of agencies, since this allows the staff to live in the city and commute to work. A number of voluntary agencies, for instance, have been located in the districts surrounding Hyderabad, viz, Ranga Reddy, Medak, parts of Mahbubnagar and Nalgonda.

Factors Influencing Growth of Health Services

The overall trend in all three sectors is for services to be more concentrated in the advanced than the backward districts with the least variation being within the public sector.

The reason for lower inter-district variations in the public sector is probably a reflection of political factors. For instance, the conscious attempt of the government to maintain regional balances within the state has been an important factor for the relatively low inter-district differences. This is well-illustrated in the case of the narrowing of differences between the selected districts in Telengana and coastal Andhra in terms of bed/population and institutions especially from 1971—an aftermath of the Telengana agitation which highlighted the socio-economic backwardness of Telengana.

Although the average PHC/population ratios show little variation across districts, political pressures have played an important role in the location of PHCs. Up till the mid-60s this was governed by the AP Panchayat and Zilla Parishad Act, 1959. According to which a specified amount of land and cash had to be contributed by villages for the setting up of PHCs. Due to the contributory nature of the scheme any village that donated required amount of land and cash could have a PHC. As a result of this "some primary health centres were located at one end of the block where communication, education and accommodation facilities were not available, and coverage was much reduced".[9] There was also an instance of a block having two PHCs while others had none. This definitely affected the availability of, and accessibility to services. By about the mid-1960s the state government assumed full responsibility for locating PHCs but local political pressures continued to play an important role. What is important here is the fact that welfare measures are used by local leaders to consolidate their position and redeem their campaign pledges. One would therefore agree with Francine Frankel who points out that high caste leaders often redeem their campaign pledge by providing drinking water, school building or other welfare services to consolidate their position.[10] The use of welfare services by ministers to strengthen their own position in their constituency is well-illustrated in the case of an increase

Table 7: Nurses in Government Services

Districts	Years		
	1967-68	1975-76	1985-86
Krishna	88	112	267
Guntur	185	192	356
Mahbubnagar	51	37	162
Medak	28	35	138

Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1986.

Table 6: Government Doctors (Allopathic) in Selected Districts 1961-1986

Districts	Years			
	1961	1971	1981	1986
Krishna	71 (1:29,239)	121 (1:20,603)	158 (1:19,291)	194 (1:15,711)
Guntur	189 (1:15,920)	304 (1:9,355)	349 (1:9,839)	471 (1:7,290)
Mahbubnagar	49 (1:32,448)	84 (1:23,000)	126 (1:19,396)	169 (1:14,461)
Medak	29 (1:42,310)	63 (1:23,285)	94 (1:19,223)	140 (1:12,907)

Note : Figures in parenthesis indicate doctor/population ratios.

Sources: (1) Government of AP, *Statistical Abstracts*, Bureau of Economics and Statistics, Hyderabad, (2) Statistical Division, Directorate of Medical and Health Services, Hyderabad. (3) Government of Andhra Pradesh, *Handbook of Medical and Health Statistics*, State Bureau of Health Intelligence, Directorate of Medical and Health Services, Hyderabad, November 1976.

in bed strengths in taluk and district hospitals. For example, in the taluk hospital at Gudivada which was the chief minister's constituency, the bed strength was increased from 30 to 75 during 1985-86. This also happened in the taluk hospital at Mangalagiri, which was the constituency of a former health minister. During the same period there was no increase in bed strength in Mahbubnagar and an addition of only six beds to a taluk hospital in Medak.

While political factors do influence development of health services, the general level of economic and infrastructural development influences accessibility to the utilisation of institutions. As discussed earlier infrastructural inputs like roads and transport facilities are better developed in the advanced districts as compared to the backward ones. The Kerala experience has shown that an even spread of health services coupled with well-developed infrastructural inputs has contributed to better accessibility and utilisation of institutions.[12] In Kerala it is the nature of settlement patterns, size of villages, roads and transportation which increase accessibility to health services. A study of primary health centres in Andhra Pradesh points to the lack of adequate roads and transport facilities as an important reason for reduced accessibility to these institutions.[11] The general level of development of a region also influences the willingness of staff to work. Most doctors prefer to work in urban areas. When they are posted to PHCs they prefer advanced districts to backward ones because they are ensured certain minimum facilities like water, electricity, transport and schools. In certain PHCs in Nalgonda, Medak and Mahbubnagar, it is not uncommon to find the posts of doctors vacant either because they have not been filled or the doctor after joining, has taken long leave. In such instances it is the paramedical staff who run the PHCs.

In terms of bed strength, Krishna and Guntur districts have a higher bed strength compared to Medak and Mahbubnagar. In fact the private bed strength is almost double that of the public sector in the advanced districts. In order to explain this variation, one needs to look into the changes that have taken place in the structure of the economy in the advanced districts as a result of the green revolution which saw the rise of rich peasants and capitalist farmers who diverted the surpluses accruing from the green revolution into a number of commercial and industrial activities.[12] The commercial enterprises included hotels, cinemas, shopping centres as well as nursing homes. Although we do not have information on the years of establishment of institutions for all the selected districts, the data for Krishna district shows that maximum growth of private nursing homes took place during the late 1970s to early 1980s, which is the period when other commercial enterprises also grew in these areas.

The growth of the private sector in health care is directly related to the level of economic development. This link is logical because it is the economically developed areas which not only provide the market for these services but also the surpluses to invest in commercial enterprises. This in fact tends to increase the inter-regional differences with respect to provision of health services between advanced and backward districts.

In the voluntary sector the number of institutions, bed/population and personnel/population is clearly skewed in favour of the advanced districts. The reasons for this variation are many. Firstly, since Krishna and Guntur were under Madras presidency, a number of dispensaries were established by missionaries during the turn of the century. This was not the case in Mahbubnagar and Medak which were under Nizam's rule. In Krishna and Guntur districts, Christians are the second largest community unlike in Mahbubnagar and Medak where Muslims constitute the second largest community. Secondly, during the 1970s, there was a spurt in the growth of voluntary agencies

TABLE 9: PERCENTAGE DISTRIBUTION OF VILLAGES ACCORDING TO DISTANCE FROM HEALTH CENTRES

Districts	Percentage of Villages according to Distance from Within			
	5 km	6-15 km	Above 16 km	Total
Krishna	25.51	46.12	28.38	100
Guntur	23.74	45.28	30.98	100
Mahbubnagar	17.91	40.55	41.54	100
Medak	23.00	38.00	39.00	100

Source: Government of Andhra Pradesh, *Report on Village Amenities in Rural Areas*, Bureau of Economics and Statistics, Hyderabad, 1980, Table 15.

TABLE 10: REGISTERED PRIVATE PRACTITIONERS (RURAL) AND RPP/POPULATION RATIOS FOR SELECTED DISTRICTS—1981 AND 1985

Districts	1981	RPP/Population	1985	RPP/Population
Krishna	142	1:14,478	258	1:7,968
Guntur	277	1:8,981	309	1:8,051
Mahbubnagar	103	1:21,135	198	1:10,994
Medak	118	1:13,474	169	1:9,408

Sources: (1) Census of India 1981, Series 2, *Andhra Pradesh District Handbooks, Village Directories*,, Hyderabad, 1985.
(2) Government of Andhra Pradesh, *Mandal Handbooks*, District Planning Board, Hyderabad, 1985.

TABLE 8: ANMs, HEALTH INSPECTORS AND HEALTH VISITORS IN SELECTED DISTRICTS, 1987

Districts	No of Posts Sanctioned			No Filled			Per Cent Posts Filled			No Vacant			Health Personnel/ Population Ratio		
	ANMs	Health Inspectors	Health Visitors	ANMs	Health Inspectors	Health Visitors	ANMs	Health Inspectors	Health Visitors	ANMs	Health Inspectors	Health Visitors	ANMs Population	Health Inspector Population	Health Visitors Population
Krishna	360	172	84	349	165	79	96.9	95.9	94.0	11	7	5	1:5891	1:12460	1:26025
Guntur	397	207*	92	393	206	90	98.9	99.5	97.8	4	1	2	1:6330	1:12077	1:27644
Mahbubnagar	319	97	54	262	94	50	82.0	96.9	92.5	57	3	4	1:8309	1:23159	1:43540
Medak	223	84	47	171	71	45	76.6	84.5	95.7	52	13	2	1:9298	1:21394	1:35333

* For 1983.
Source: Statistical Division, Directorate of Medical and Health Services, Hyderabad, 1987.

especially in Krishna and Guntur districts. This was as a result of a severe cyclonic storm and the tidal wave in 1977 when a number of voluntary agencies started providing relief to the victims of the cyclone. During the same period a few organisations were established in Mahbubnagar and Medak.

TABLE 11: NURSING HOMES AND BED STRENGTH FOR SELECTED DISTRICTS, 1984

Districts	Number	Approximate Bed Strength	Bed/ Population Ratio
Krishna	210	3024	1:1,007
Guntur	134	3475	1:998
Mahbubnagar	NA	736	1:3,320
Medak	NA	357	1:5,061

Source: President, Andhra Pradesh Nursing Homes Association, Hyderabad, 1986.

TABLE 12: DISTRIBUTION OF GOVERNMENT AND PRIVATE BEDS IN SELECTED DISTRICTS, 1984

Districts	Number of Beds	
	Public	Private
Krishna	1591	3475
Guntur	1062	3024
Mahbubnagar	528	736
Medak	382	357

Sources: (1) President, Andhra Pradesh Nursing Homes Association, Hyderabad, 1986. (2) Statistical Division, Directorate of Medical and Health Services, Hyderabad.

TABLE 13: INSTITUTIONS AND BEDS IN VOLUNTARY SECTOR IN SELECTED DISTRICTS, 1984

Districts	No of Institutions	Bed Strength	Bed/ Population Ratio
Krishna	30	922	1:3,298
Guntur	30	901	1:3,811
Mahbubnagar	8	222	1:11,018
Medak	7	58	1:31,500

Source: *Directory of Voluntary Health Agencies*, Andhra Pradesh Voluntary Health Association, Hyderabad, 1984.

TABLE 14: ESTABLISHMENT OF PRIVATE NURSING HOMES FROM 1982 IN KRISHNA DISTRICT

Years	No of Institutions Established
1982-84	74
1979-82	35
1976-77	19
1973-76	25
1970-73	15
1965-70	20
1956-65	11
1945-56	4
Years established not known	7
	210

Source: President, AP Nursing Homes Association, Hyderabad.

The distribution of voluntary agencies in the advanced districts is skewed in favour of the well-developed taluks within these districts. Jesani et al [13] in their report on voluntary organisations in health care in Maharashtra observe a similar pattern of distribution as in our study districts. They have found that nearly 70 per cent of the voluntary agencies are concentrated in the relatively developed districts. They have also observed that in the selection of districts for location of agencies voluntary organisations prefer those areas where infrastructural facilities are adequately developed. The logic of location of voluntary agencies appears to be similar to that of the private sector, i e, they are located and are active in areas with better economic and infrastructural facilities. Are infrastructural inputs an essential pre-requisite for efficient utilisation and functioning of health services? Do voluntary agencies choose developed areas because the profit motive leads them there or in order to show better results in their work or for some other reasons?

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India's New Secular Activism

Exploding Some Myths

Aswini K Ray

Contemporary secular discourse in its obsessive concern exclusively with the communal politics of manifestly communal parties as being the main source of communal violence has tended to ignore the larger structure of violence within the political system. Secular discourse needs to be anchored within the primary concerns of political science around the nature of the state in a plural society and more specifically, liberal democracy as a structural imperative of India's territorial integrity.

COMMUNAL politics has always thrived off elemental passions based on myths and folklores around a perceived stereotype oppressor existential or historical--to justify its own belligerence. In fact, most ideological inspirations have been mobilised around the perceived strength of the 'immoral adversary' based on such myths. The Nobel Laureate, P M S Blackett, described it, in the context of the Cold War, as the 'looking-glass strategy' through which one tries to build in the image of a highly magnified vision of the adversary. Communal politics in India has also broadly followed the same historical pattern.

Not just communal politics in the sense of the well known religious identities but the increasing proliferation of many other revivalist ascriptive identities around language, caste, tribe and spatial locations in India in recent times, have followed much the same pattern of mass mobilisation. This is not to suggest that, they are all 'false consciousness', or necessarily retrogressive in their social or political implications. They are often legitimate expressions of individual choice in the liberal democracy of a plural society, particularly with India's staggering range of such diversities; and, their respective social or political implications cannot be objectively pre-determined, except on normative grounds, which are always contestable. India's liberal democracy, within its constitutionally enshrined structure of equal rights of citizenship, does not provide for any normative hierarchy among such identities, ascriptive or otherwise. So that, while the content of such aspirations may be perfectly legitimate and predictable in a predominantly traditional plural society, the form of such assertions ought to be the critical test of their democratic legitimacy. It is within this framework that the high-profile assertions of Hindu communal politics ought to be viewed.

But secular perceptions of Hindu communal politics, specially since the beginning of the Ayodhya dispute, seems to be heavily influenced by the impact of relatively recent events, around which a lot of counter-myths have been conjured by a section of new secular activists. This has led to a highly stylised image of the adversary and a certain level of demonisation of the communal ideology and communal politics, particularly its Hindu version. While Hindu communal ideology, because it is targeted at the majority, poses a qualitatively different kind of threat to India's liberal democracy in its present tenuous stage, the perception of its strength, resilience and potentials, appears to be both unreal and counter-productive.

The recent series of events influencing the new perception are: (i) the new symbols of its mass mobilisation around historical structures of oppression, with multiplier potentials; (ii) the improved electoral performance of the BJP in the general elections of 1991, with its ideology of Hindutva; (iii) the emergence of a Sangh Parivar, with visible operational convergence of aims and objectives on the Ayodhya dispute and the destruction of the Babri Masjid; and (iv) the communal violence around the country, particularly its most asymmetrical location this time, in the commercial and industrial centre of Bombay, including some of its prestigious residential areas. Together, such events in quick succession tend to mystify our image of Hindu communalism. But let us first analyse each of these events separately to establish the nature and extent of their linkages, rather than assume a logical continuity between them simply because of their temporal and sequential conjuncture. Before that, we ought to situate these events within the historical and empirical context of India's contemporary political economy.

Quite obviously, communal ideology and Hindu communal politics, despite their long ancestry in India, have a particularly favourable conjuncture of global and national politics in recent times: the retreat of communist ideology, the global assertion of revivalist ascriptive identities, the growth of Islamic fundamentalism around India's neighbourhood and its exposure to the new role-models of our *nouveau riche* culture—the NRIs—with critical nexus within the political economy and the continued tensions in our relation ship with Pakistan and Bangladesh, supplemented by the recent politics in Punjab and Kashmir, have all contributed to the projection of a new profile to Hindu identity in recent times.

Within domestic politics, the collapse of the earlier party-system at the national level, the leadership-vacuum within the remnants of the Congress Party after the Gandhi-Nehru era, the popular resentments against the Janata Dal's 'Mandalisation' plans, and the dent in the ideological appeal of the mainstream communist parties within their residual ideological masthead of secularism, have all contributed to the advantage of the BJP as the only remaining organised national party.

Under such circumstances, a causal nexus between the relative salience of the Hindutva ideology, and the accretion of the strength of the BJP as a political party, seems to be axiomatically assumed within the new secular discourse. This, as we would argue, could be easily over-determined, to the BJP's advantage. Besides, since the elections of 1991 was preceded by the communal politics around Ayodhya—the 'rathayatra' and the 'shilanyas'—the BJP has sought to project its relative electoral success as part of a new resurgence of Hinduism through Hindutva; a sharp communal polarisation of the society around Ayodhya, of which, it claims to be the sole beneficiary If true, it has ominous potentials, because such symbols of historically perceived oppression could offer unlimited potential for communal politics in India's ancient civilisation. But again, as we would argue, such claims are based on a highly stylised version of the reality.

But before we analyse BJP's claims, it should be obvious that the search for historical symbols of oppression for purposes of communal mobilisation is an indication of the absence of more potent credible options based on existential

realities. Within India's demographic profile of the religious communities, it would be difficult for Hindu communal politics to mobilise passions around an existential adversary as the oppressor. In fact, with India's dominant and deprived sections cutting across its multiple ascriptive identities—though not proportionately—it may be difficult to identify any single identity as the oppressor on a cross-national scale. Consequently, Hindu communal politics had to invent folk-myths around relative population increase of its adversaries, doomsday scenarios around the migration from neighbouring countries and, above all, search for symbols of historical oppression. They are all evidence of the desperate search for alibis of a weak case, rather than of the strength of a powerful force. So that, while such symbols in India's ancient civilisation may be relatively easy to discover, or invent, as credible issues through which to derive durable electoral dividends, their significance could be easily exaggerated.

Even on the Ayodhya dispute, given the historical legitimacy of the Hindu-Muslim divide in the subcontinent, continuously reinforced by Indo-Pakistan tensions, it is not unlikely that a relatively large section of Hindus may have been generally sympathetic to the BJP's version of the history of Ayodhya. But, surprisingly, according to an opinion poll, published in *Frontline* (May 25, June 7, 1991) immediately before the general elections, only 43 per cent respondents supported the BJP/VHP stance on Ayodhya, while 41 per cent opposed it; but more significantly, only 19.1 per cent voted for the BJP in the general elections immediately thereafter. This would substantiate our hypothesis that support to BJP's views on Ayodhya could not be coterminous with electoral support for the party, and, much less, a post-dated endorsement of the subsequent destruction of the mosque.

At any rate, BJP's 19.1 per cent votes would be as deceptive an indicator of the appeal of Hindutva in India in 1991, as much as its 7.4 per cent votes in 1984, or 11.4 per cent in 1989. In fact, in sharp contrast to the BJP claims, the 'Ayodhya/Communalism' issue did not even figure as a significant issue in the voting preference of a large proportion of voters in 1991. According to an opinion poll by MARG for *India Today* (May 31, 1991), in 1989, 1990, 1991, only 13 per cent, 11 per cent, and 15 per cent respectively of the respondents considered it to be the most important, compared to 44 per cent, 54 per cent, and 47 per cent who considered 'price rise' to be the most important in the corresponding years, and 'corruption' by 36 per cent, 25 per cent. So that, either as a reasonably reliable index of the appeal of its ideology of Hindutva, or its stance on Ayodhya, BJP's best-ever election success in 1991, nowhere near a majority of the Hindu votes, remains empirically untenable. In fact, going by the media reaction to the destruction of the mosque, the BJP's electoral appeal could even have declined.

Such a possibility cannot be discounted because of other factors. Since the late 60s, because of the mushrooming proliferation of various ascriptive identities, along with Hindu-Muslim communal politics, all political parties have reoriented their electoral strategies to ensure that no party is able to derive any special advantage on this score. All political parties take into account considerations of religion, caste, language, etc, in their electoral strategies, along with the BJP, to ensure that the advantages of most such identities are either evened out or shared. So that the increasing salience of ascriptive identities in Indian democracy has been accompanied by a corresponding decrease in the electoral weightage of any single ascriptive identity, including Hindutva, at the national level. Over-indulgence with Hindutva, in India's multiple social plurality, has the potentials of a double-edged sword for the BJP; and after the incidents at Ayodhya, the BJP may find it difficult to underplay it even when in duress. It may be faced with such compulsions in the foreseeable future, as we would argue.

BJP's relative electoral success in 1991 could be explained by the domestic political conjuncture mentioned earlier, which, for the first time, changed the elite-perception of the BJP, on the eve of the elections, to a 'winnable' party, thereby, attracting free-floating vote-banks and funds. In fact, most general elections since 1971 have been won and lost on the basis of 'waves' created by floating vote-banks deserting 'sinking ships' and gravitating towards potential winners. The high-profile professionals from the civil services and the armed forces who switched loyalties with fanfare on the eve of the elections were no sudden converts to Hindutva, some of them had been the hand-picked favourites of the Nehru-Gandhi family in the past. Eminence, drawn from such social groups, had earlier opted for the Janata Party, or the SJP, on the basis of their perception of 'winnability', thereby, anticipating and augmenting the 'wave'.

Under the favourable conjuncture of circumstances of 1991, 19.1 per cent electoral support in the country does not make the BJP electorally invincible. If its relative success in 1991 is conjunctural, then a different conjuncture of electoral chemistry could dent BJP's image of 'winnability' to set off the reverse-flow of funds and eminence to make it vulnerable. The response of the 'eminent citizens' of Bombay, particularly its top industrialists, whom the BJP has been wooing for sometime in the recent past, to the destruction of the mosque and the communal violence, could have already set off such a process. But the impact of the events on the electoral chemistry would depend upon how soon the members of parliament and the ruling party could be persuaded to risk their perks of office to renew their mandate.

Objectively, it suits the BJP to delay the elections, to cut its losses from the trauma of recent events. But a possible electoral reverse for the BJP in the foreseeable future is unlikely to reverse the general trend of accretion of strength of communal politics in India around its multiple ascriptive identities. It would only help in further reducing the electoral potentials of any single ascriptive identity for any political party with stakes in capturing state-power at the national level. In the case of the BJP, it could generate compulsions in the direction of an operational dilution of the ideology of Hindutva, to accommodate the aspirations of other ascriptive identities. Straws in the wind, after the vandalism at Ayodhya, already suggest such a possibility. But if that takes place, the BJP in terms of its content, would not be strikingly different from the Congress, Janata Dal or many other parties, except for being more organised.

Such a possibility may now appear to be far-fetched, even wishful prophecy, largely because of the events around Ayodhya leading to the destruction of the Babri Masjid. The operational unity of aims and objectives within the Sangh Parivar around Ayodhya could have tended to mystify secular perceptions around a monolith, master-minding, planning and executing the vandalism and blowing hot and cold after the *fait accompli* as part of a pre-planned political drama. That the destruction of the mosque was unquestionably pre-planned lends credence to such a conspiracy theory. But careful scrutiny reveals possible caveats in such assumptions.

Firstly, while the leadership of the Parivar, as such, owes moral and political responsibility for both the destruction of the mosque and the communal violence, their political costs had to be exclusively borne by the BJP in terms of its loss of credibility for governance within its predominantly urban middle-class political base, as distinct from the social base of the VHP and the Bajrang Dal in the rural areas and in urban villages respectively. The violence in Bombay, particularly its swanky residential neighbourhoods, were also at the political cost of the BJP

by alienating the leaders of big business whom the party has been trying to woo in the recent past. No other constituent of the Parivar had to share the political costs. Such asymmetrical political costs of the recent events, among the various constituents of the Parivar were predictable long before the count-down of the demolition, and must have been obvious to the BJP leadership.

Secondly, the RSS, the VHP and the Bajrang Dal, with no visible stakes in electoral politics can afford to be ruthlessly self-righteous in whipping up Hindu communal passions, which, beyond a point, could cause diminishing returns in terms of electoral dividends for the BJP.

In the immediate aftermath of the destruction of the mosque, such divergent goals within the shared worldview of the Parivar manifested themselves in the eloquent silence of the leaders of the RSS and the VHP, including its sadhus and sants, the flamboyant rhetoric of Bal Thackeray, formally, only a neighbour of the Parivar, as apart from Advani's formal acceptance of moral responsibility and Vajpayee's remorse. The full evolution of such divergences appears to have been stalled in mid-stream by the politically counter-productive dismissal of the BJP-governments, arrest of the leaders of the Parivar and banning of the RSS. This may have enabled the Parivar to cut its losses by forcing its constituents to close their ranks in a crisis.

Such a hypothesis cannot be ruled out, because, in the past, such divergent goals of the present constituents of the Parivar, visibly manifested themselves in the political arena. For long, after the assassination of Gandhiji, the BJP disowned any links with the RSS in sharp contrast to their present publicised honeymoon within the Parivar. Similarly, the RSS had threatened to support Indira Gandhi, against the BJP, in the early-80s, the parleys breaking down not on principles but because of lack of mutual trust. As part of the Janata Party, the BJP had been a political ally of the Akalis, well beyond the scope of vedantic Hindutva.

As a national political party, axiomatically committed to the capture of state-power, it may be compelled in future to share it with other ascriptive identities—beyond Hindutva—that are simultaneously asserting themselves with increasing stridency for their share. In fact, as argued, that is among the few available options for the BJP at the national level. In such an eventuality, even as a dominant partner, the BJP would be compelled to climb a few pegs down the wrung of Hindutva, even at the cost of the RSS. Such a possibility seems to have been anticipated by the BJP in its new emphasis on the idiom of 'positive secularism', as apart from Hindutva, to distinguish itself from its alleged 'pseudo-secularism' and 'minorityism'. The line of retreat from the Parivar or a negotiated consensus on Hindutva is unlikely to be totally closed by the BJP.

The reported entry of the Shiv Sena, formally outside the Parivar into the fray at Ayodhya and in the violence in Bombay and Surat, has made the Parivar more incongruous. Beyond Ayodhya, Shiv Sena's relations with the BJP and the Parivar is sharply antagonistic; simply as a regional activist wing of Hindutva, its political identity, *vis-a-vis* the BJP is at stake but, its regional chauvinistic appeal to underscore its autonomy, while undermining Hindutva, is also at the political cost of the BJP. That could explain Shiv Sena's long informal alliance with the Congress Party at the regional level.

The perception of the Sangh Parivar as a monolith, because of the present convergence of interests among groups with divergent goals within their shared Hindu communal worldview, seems unreal and in conformity with BJP's interests to perpetuate the myth of its continued winnability.

On its own organisational strength, as a political party, BJP has remained vulnerable because of its continued dependence overwhelmingly on the urban trading community, whose economic interests are difficult to reconcile with either big business or working classes; it is less likely to be so in the new phase of structural adjustment. Such a social group is traditionally susceptible to communal propaganda, but its business interests are directly affected by violence of any variety. BJP's culpability in stoking the present round of violence is unlikely to go down very well with such a social group of electoral weathercocks. Besides, wielding power in some states in recent times, it has accumulated its share of fat at all levels of its organisation, with its links with the criminal underworld, the NRIs, the bureaucracy and the coercive apparatus, like most other parties in contemporary India's politics of anomie. But unlike other parties, the BJP has depended in recent times on elemental passions that are relatively easy to arouse but difficult to be put under the lid; it is perennially faced with Frankenstein's monsters, like Indira Gandhi discovered at the cost of her life in Punjab. In the next electoral battle, the BJP would be faced with its monsters from inside the Parivar demanding their pound of flesh from the spoils of Ayodhya, while facing its adversaries outside. It is not going to be easy for the BJP to perpetuate its image of winnability, unless helped by the lapses of its adversaries.

BJP's actual role—as distinct from its undoubted political responsibility—in the present round of communal violence in the country is strictly an empirical question. But, as we would argue, not particularly important for an assessment of the strength of Hindu communalism in general, or the BJP in particular, and much less for purposes of prescriptive formulations to contain communal violence in India. But to the extent that communal violence stokes communal politics, in a dialectical sense, it may help to have a closer look at some of the axiomatic assumptions about their linkages, to be able to relate them to the present events.

Firstly, the generic concept of communal violence continues to be used too ambiguously to describe many diverse types of violence. For example, the communal violence in 1984 was simply a case of one political party's violence against a community; the communal violence in Meerut (1967), Karimganj (1968), or in recent times in Meerut, Ahmedabad, Bhiwandi were between two communities. Most cases of communal violence in UP and Bihar have been between the police and the minorities. In Punjab, Kashmir, Assam and the north-east, communal violence has been of a significantly different nature. Besides there has been communal violence among trading communities, builders, landlords, tenants, against unauthorised encroachers and among working classes and within the underworld. Most communal violence, even when between two distinctively identifiable ascriptive identities, has involved equally distinct interest-groups, often predominantly so. Under such circumstances, violence is communal only in an extremely limited sense.

The present round of communal violence, all obviously sparked off by the events at Ayodhya also had its targets around other identities beyond the apparently ascriptive ones. They could provide an opportunity for exploring the influence of alternative, or parallel, continuum within the increasing level of general violence in society with the recent manifestations of communal violence. The violence in Bombay, including its upper- class residential areas, or in Surat, Ahmedabad, Delhi, etc, may have all been communal violence in a generic sense, yet may be significantly asymmetrical in terms of local specificities, including interest-groups. The present secular assumptions of communal violence, in a nexus of linear continuity with communal politics, appears too deterministic and rooted in the realities of the secular political alliance of the late 60s, possibly,

more relevant in the historical context of Indian politics till then. But since then, communal violence, even in its generic sense mentioned earlier, has been accompanied by violence among many other forms of ascriptive identities to suggest the possibility of a parallel, or alternative, nexus between communal violence and the general level of violence within the political system.

Such an alternative continuum remains mystified within mainstream secular discourse because of an implicit assumption of a normative hierarchy in the violence among various ascriptive identities, in which, the Hindu-Muslim divide assumes primacy. To the extent of its historical significance and its scope involving two major ascriptive identities, such a hierarchy may be legitimate. But in terms of dimensions of such violence, brutality, human casualties, recurrence, or their impact on the democratic system, such an implicit normative hierarchy appears to be somewhat arbitrary; and, rooted more in history than contemporary reality. Mainstream secular discourse, within its deterministic assumptions, ignores the possibility of alternative policy-options directed at containing communal violence within the continuing reality of multiple versions of communal politics. It refuses to squarely face the important question: could communal violence be eliminated in a violent polity that is socially plural in its ascriptive identities? Or, its flipside: could communal politics be institutionally insulated from violence? Such questions have more relevance within our framework for our assessment of the present phase of Hindu communal politics and of communal violence, than the actual role of specific parties in such violence.

Empirically, the close temporal and spatial correspondence between the general increase in the level of violence within the political system as a direct consequence of the increasing dent in the professional autonomy of the democratic institutions of conflict-resolution, and the assertion of various revivalist identities, could be substantiated. The first major Hindu-Muslim communal violence (Jamshedpur/Calcutta), relatively insulated from the politics of Partition, erupted in 1964, coinciding with the first significant dent in the institutional functioning of the ruling Congress Party usurped by the 'syndicate' with its members' political base in various regional ascriptive identities. While the next such violence (1965) sparked off by the Hazratbal incident could be attributed to Indo-Pakistan relations, the subsequent round of such violence, in Meerut (1967), Karimganj/Ahmedabad (1968), coincided with the orchestrated split in the Congress Party, and Indira Gandhi's assertion of authority through the anachronism of a coterie of 'committed' bureaucracy, judiciary, media, and scientific institutions. This was also the phase in which the SVD/BLD-type coalition of various caste-identities in north India emerged to supplement the Shiv Sena, dalit, nadar, ezhava, Muslim League, Jharkhand, as also new tribal identities in the north-east, in the political arena. Since then, particularly since the orchestrated and comprehensive assault on the autonomy of democratic institutions in the emergency, many new identities, or existing ones in new forms, politically have asserted themselves with increasing stridency. Such assertions of identities have been predictably accompanied by much violence around them. The same period has also been marked by increasing recurrence of Hindu-Muslim communal violence in its many variations within the generic version. More significantly, depending upon demographic variations, regions susceptible to violence around any ascriptive identity have also been prone to violence around other identities, including Hindu-Muslim violence and as brutal. For example, in Delhi, in terms of content of violence, the anti-Sikh violence of 1984, the Mandal violence of 1990 and the present round of communal violence are in many ways comparable, except in terms of their respective targets. It would be as arbitrary to normatively distinguish between these instances of violence, as it would be between them and the Shiv Sena violence against the south Indians in the earlier phase and against Muslims and non-Maharashtrians in the recent phase; or, the Assamese violence against Bengalis to begin with, followed by more selective violence against Muslim-Bengalis; or the DMK-led anti-brahmin and anti-Hindi/north Indian violence; or, between any of them and the violence in Belchi, central Bihar, Telengana, Jharkhand, Darjeeling, Nelli and, arguably, in the north-east, Punjab and Kashmir.

Similarly, to the extent that the coercion of the police and paramilitary organisations is encompassed within the generic concept of communal violence, as it also manifested in some areas in the recent phase, they have been as brutal and recurrent against other ascriptive identities, particularly against the dalits, tribals and the OBCs. In many parts of India, like Bihar, Andhra Pradesh, Madhya Pradesh, or the north-east, leaving out Punjab and Kashmir, the socio-political network which perpetuates such violence through the coercive institutions of the state is not strikingly asymmetrical to those periodically against the Muslims. Bhagalpur, Baghpat, or the murder of Dr Ramanathan and Shankar Guha Niyogi, may have been the more sensational examples of such violence, but they continue to be an abiding existential reality in the present phase of the political system, but still outside the orthodox secular discourse on communal violence.

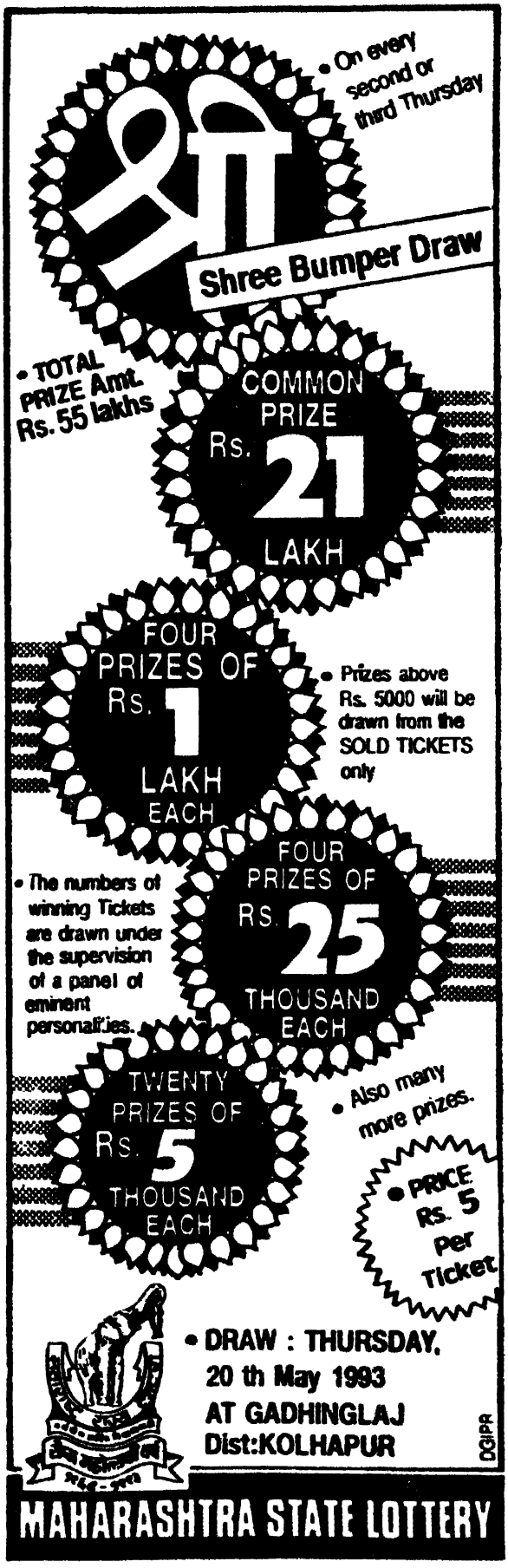
This insensitivity of secular discourse and the increase in the level of social violence could explain the secular parties' passive endorsement of social violence by a corresponding accretion in the coercive power of the state. For example, since the Emergency, the phase of the quantum-jump in the recurrence and brutality of all forms of social violence has also been the period of new repressive legislations, like MISA, COFEPOSA, NSA, TADA, along with the old ones like the Disturbed Areas Act; new coercive instruments, like CISF, BSF, ITBF, Black Cat, RAF and RAW, along with all the old ones; increasing resort to executive ordinances; recurrent use of military and paramilitary forces in civil strifes. It has been left to the civil and democratic rights groups, autonomous from the secular parties, to underscore the increasing role of state coercion in stoking social violence. A brutalised coercive machinery, reinforced with increasing authority, is unlikely to distinguish between its targets in any abiding sense. It is this creeping subterranean de-liberalisation of the political system, initiated by the politically orchestrated atrophy of its democratic instruments of conflict- resolution, and, consequently, increasing resort to coercive instruments of state-power to resolve social conflicts, that have stoked all forms of violence, including Hindu-Muslim violence in its multiple variations. This process of de-liberalisation may not be visible at the surface because of the uninterrupted process of periodic elections in India's democracy.

For example, given the well known professional inefficiency of almost all institutions of governance, particularly the coercive apparatus specially designed against violence, their manifestly partisan social and political bias invariably tilted in favour of the 'winning horse', it is no big deal for any individual or group—and much less for a political party—to trigger off a communal violence of one form or the other. It would be a deceptive indicator of the organisational strength or ideological appeal of any party. In fact, a relatively more dependable index could be its reverse: a party's ability to contain such violence within the limits of its political advantage. By such a criterion, the BJP's strength as manifested in the recent events appears less intimidating than it appears to be in mainstream secular discourse.

In fact, the dysfunctional legal system has already transformed violence into a soft option to enforce private justice. An enormous constituency of vested interests, drawn from almost all socio-economic strata and India's multiple ascriptive identities, has emerged within the political system with stakes in periodic communal violence of one variety or the other, depending on their specific needs. Even in the recent round, one such incident in Delhi, in a curfew-bound locality of predominantly Muslim residents, was reportedly triggered off by gamblers who had betted heavily on the possibility of communal violence and were about to lose. The role of the drug-mafia in stoking Sikh communal violence is well known. In the anti-Sikh violence in Delhi (1984), communal abetment of a section of the police was also an unfortunate response against the manipulation of a senior officer with high political links in recruitment and postings in the Delhi police. Such responses to similar manipulations have so often led to campus violence on communal lines. Even leaders of parties committed to secularism or of minority-groups and aspirants for such leadership have developed a stake in the soft option of periodic communal violence, to prove their respective points to different target-groups. In two of the most brutal incidents of communal violence in recent times—against the Sikhs, and against 'Mandalisation'—the BJP was not involved in any significant sense. Just as communalisation of politics and its criminalisation have encouraged most parties into the game, the politicisation of social violence has led almost all parties into it, often as deterrence, but as often for first-strike.

Contemporary secular discourse remains impervious to this growing phenomenon, at its own cost. In its obsessive concern exclusively with the communal politics of manifestly communal parties as the main source of communal violence it has tended to ignore the larger structure of violence within the political system which enables all political parties and assorted groups to indulge in periodic violence of their own choice. This has helped communal politics without being of much help towards innovating policy-options to contain communal violence.

The present secular orthodoxy has unwittingly enabled Hindu communal ideology to underplay the weakest point of its ideological thrust of Hindutva: the danger it poses to India's liberal democracy which remains a structural imperative of the political system within its inherited territorial configuration and demographic dispersal of ascriptive identities. A constitutionally guaranteed struc-



ture of equal rights of citizenship, irrespective of any ascriptive identity, constitutes the core-concern of liberal value, as also the main institutional foil against the endemic potentials of all democracies towards 'majority tyranny' and/or 'executive authoritarianism'. The ideology of Hindutva, by discriminating between citizens' rights, undermines the liberal core and, consequently, augments the endemic proclivities of the democratic system towards such tyranny and authoritarianism, and in the process, poses a threat to India's present territorial integrity. In other words, democracy postulating majority rule through periodic elections is a necessary but not sufficient condition for a liberal democracy, which postulates equal rights of citizenship that is critical for the territorial integrity of a plural society. Hindu communal politics with its majoritarian thrust has selected only one divide within India's multiple plural identities which, for historical reasons, is to its advantage. The present secular discourse, by its assumption of the primacy of this divide, has helped only to complement it, to the advantage of Hindu communal politics.

Consequently, secular discourse has been enticed into the terrain of history, anthropology and theology, which, in a civilisation with a long continuous history, has provided enough grist to the mill of communal ideology to engage it in a zero sum game of myths and folklore. In the process, secular discourse has been intellectually chained around the normative concerns of an ideal society to tail communal ideology on the latter's opted terrain and terms. At the theological plane, it is perfectly conceivable for communal ideologies to provide alternative norms of an ideal society that could be historically and anthropologically proved to be relevant for pluralist democracies. Secular ideology, particularly its most evolved operational version in the western industrial societies, or its distorted version in India, cannot lay any moral claim to monopoly over such norms. With its inadequacies, orthodox secular discourse, now appropriated by a new generation of India's precociously post-modern urban middle-class, appears, from the correspondence columns of the print media, to be re-enacting a caricatured version of the tradition-modernity debate of the 19th century, to the advantage of communal ideology in India's predominantly traditional society.

Secular discourse needs to be anchored within the primary concerns of political science around the nature of the state in a plural society and, more specifically, of liberal democracy as a structural imperative of India's territorial integrity. This might help in providing the cutting edge to secular discourse, and make it politically more viable in its present confrontation with communal politics and communal ideology. It might also help secular discourse to correct its own inadequacies on the problem of communal violence. Even if the line of argument presented in this analysis is unconvincing, there is obviously something amiss in the understanding of the problem of communal violence within present secular discourse. For, its holistic approach of containing communal violence by a political confrontation with communal politics has till now been counter-productive; while communal politics has gained strength, communal violence has been more frequent and increasingly brutal. It may help to explore possibilities of alternative minimalist policy-options to contain communal violence in spite of continued communal politics. Already the vicious circle of violence and de-liberalisation of the political system poses a threat to the democratic structure and in territorial integrity, without Hindutva ever wielding state-power at the national level; and the consequent secessionist threats while benefiting Hindutva have certainly not been created by them.

Our plea for a shift in the concerns of secular discourse to the structural correlates of liberal democracy is based both on Indian experience as well as other comparable experiences particularly in the post-colonial world, some of which could be generalised: Firstly, the dialectical link between liberal democracy and the secular state, in the absence of any revolutionary options; and secondly, the counter-productive consequences of any open confrontation with communal ideology, in which, Gandhiji's experience is only the more dramatic of numerous such examples. Secular ideals have best survived as an appendage to ideologies of liberation, either within the liberal democratic framework or revolutionary alternatives. Thirdly, repression is counter-productive against all ideologies, including the communal ideology. In India too, secularism originally remained an implicit axiomatic corollary of liberal democracy in the Republican constitution which enshrined the quintessential secular goal of equal rights of citizenship. It was only during the most orchestrated onslaught against liberal democracy in the Emergency era that secularism was pirated into the Constitution explicitly in the Preamble by the subterfuge of the 42nd Amendment, thereby, undermining the moral and political legitimacy of secular appeal; repression of the Emergency dented it further. Consequently, the erstwhile BJP, as the main victim of secular repression in the electoral fray benefited in 1977. Since then the direct positive correlationship between political deliberalisation and communal politics and violence have been underscored. These experiences could provide the broad parameters for policy-options to challenge communal politics and contain violence.

Within these parameters, three macro-level policy-options seem to emerge. Firstly, defence of the Republican Constitution, particularly the chapters on Fundamental Rights and the Directive Principles of state policy. Secondly, measures to ensure the professional autonomy of democratic institutions, particularly the coercive apparatus, along with institutionalised mechanism of their accountability; drastic reform of the legal system to ensure cheaper and quicker justice. Thirdly, reinforcement of the civil and democratic rights movement, insulated from electoral politics, as an effective watch-dog against the system's proclivity to 'majority tyranny' and 'executive authoritarianism'.

Meanwhile secular discourse ought to shift its concern towards widening the social base of democratic consciousness, which, in the ultimate analysis, could be the only viable foil against the proclivities of the democratic system towards tyranny and authoritarianism, with or without the BJP in power. Till now, such threats within the system have been posed almost exclusively by parties committed to secularism. It is unlikely to be worse under the BJP.

It seems, in the absence of any revolutionary options—ideological or operational—the residual radical option in the present phase of India's post-colonial democracy is a reassertion or old-fashioned liberal values. That could also be the most viable secular politics against the challenge of communalism, as also to contain communal violence in spite of communal politics. But as part of the liberal bandwagon of secular discourse, secular activism cannot afford the luxury of reciprocating the flamboyance of the communal rhetoric which thrives off elemental passions in any extremist political ambience, as opposed to secular rationality involving the values of reason, restraint, and tolerance of alternative world-views.

Shelter, Women and Development

In the paper 'Shelter, Women and Development: Beating a Path towards Women's Participation' by Meera Bapat and Sheela Patel (*EPW*, March 13), acknowledgement of the fact that the paper had been presented at a conference held at the University of Michigan, Ann Arbor, USA, between May 7 and 9, 1992 was inadvertently left out. The omission is regretted.

Ed.

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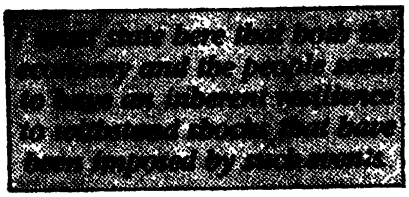
Speech made by the C
at the 13th A

Ladies & Gentlemen,

I have great pleasure in extending a warm welcome to all of you at the 13th Annual General Meeting of the company. The abridged accounts along with the Director's and Auditor's Reports have been with you for quite some time. I would now like to lay on the table of the house the full accounts for the year ended December 31, 1992.

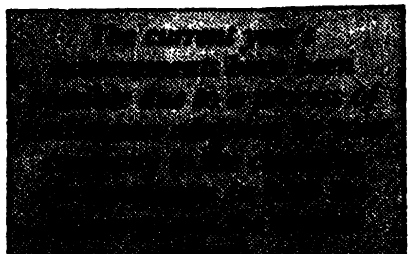
1992 in retrospect

I do not need to recall the dramatic events that were witnessed by the country in 1992 and early part of this year. Needless to say these events have left an indelible impact on both the economy and the social fabric of this country. Nevertheless I must state here that both the economy and the people seem to have an inherent resilience to withstand shocks that have been imposed by such events. Such events coupled with the recessionary trends in some of the key sectors of the economy and non-appreciation by the players in the stock markets of the long term benefits of the measures introduced by the Government of India have led to a downturn in the stock markets as well as in the primary markets. I am pleased to state that the performance of your company despite these adverse circumstances has been quite good.



In the financial year 1992 your company has registered growth rates of about 35% in gross income, gross profits and gross financial assets. I would like to add here that the average annual compounded growth rate over the decade has also been ranging from 35% to 40% every year. Such an achievement has only been possible due to a process of continuous adapting by your company to the changing circumstances in both the economy and the market place.

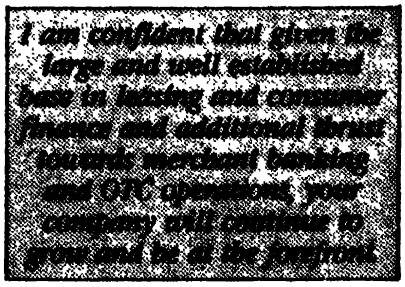
I am sure you are all aware of the fact that the financial services industry is undergoing a transformation with the various liberalisation measures introduced by the Government and the Reserve Bank of India. The last two years have witnessed the entry of a large number of players into the market including the large industrial houses. Such a phenomenon was last seen in the early 80s when everyone was talking about the mushroom growth of leasing companies. The current trend is qualitatively different since the entrants are from large industrial houses and in an environment where the private sector financial service companies are being viewed in a more favourable context. Further, the market liberalisation has certainly opened up a more competitive environment as compared to the last decade.



Despite the above, I am quite confident that given the large and well established base in leasing and consumer finance and the additional thrust towards merchant banking and OTC operations, your company will continue to grow and be at the forefront.

The future

I am pleased to inform you that your company has been authorised by SEBI as a sponsor for a mutual fund. The regulations prescribed by SEBI involve setting up the mutual fund management company as an independent entity. This will necessarily mean that a separate Asset Management Company has to be set up, with your company as the sponsor and promoter with other institutions and bodies involved in the entire mutual fund operations. The company has made significant progress in complying with the various regulatory requirements.



The Reserve Bank of India has already announced the guidelines for setting up new banks and some amendments and modifications to these guidelines are in the pipeline. Your company has already submitted an application to the Reserve Bank of India and our approach to setting up a bank will be with caution and due diligence.

The Government of India has amended the Securities Contract Regulations Act to permit corporate membership of stock exchanges within a limited liability structure. I understand that both Securities Exchange Board of India and Stock Exchange are in the process of formulat
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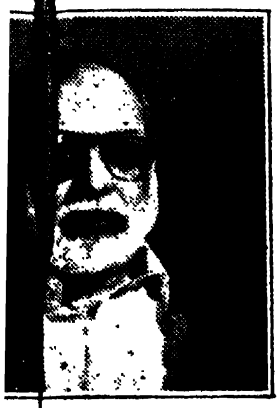
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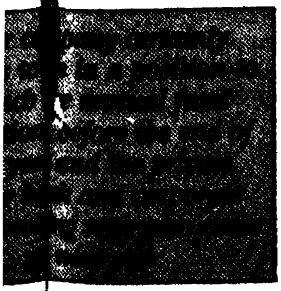
e Chairman, Mr Davendra Ahuja,
Annual General Meeting



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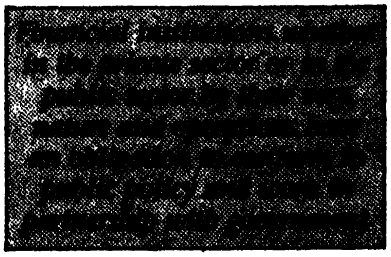
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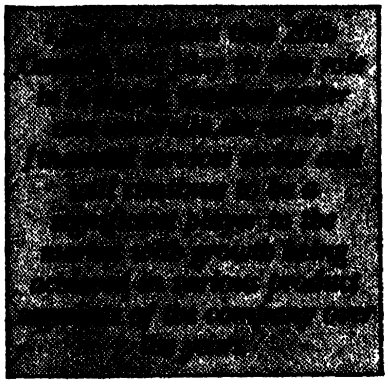


Policy Issues

The various policy measures that have been initiated by Reserve Bank of India and Government of India have had a positive impact on the financial services sector especially in terms of permitting entry of private sector into certain segments of this market which were, till now, exclusively reserved for the public sector. I am sure that in the near future other segments of this market would also be opened up to private sector finance companies. The Government has also stated that it would be creating a level playing field over the years for all the players in the market. Such measures, while certainly increasing competition will also open up new avenues for growth. However it should be recognised that the present public sector financial institutions and banks would continue to have a strong position in the market even after the ownership pattern changes through the privatisation process which has already been initiated. In such a scenario, market/product segmentation should take place with a few large national players in all market/product segments, with niche market players offering specialised products and services and small players in the regional markets. There would also be companies which have significant presence across all product markets and geographical segments competing on the basis of quality of product and services, while carving out certain segments for themselves. I visualise 20th Century positioning itself in this particular segment of the market offering a wide range of financial products coupled with high quality service to all its clientele.



Another area I would like to touch upon is the recent amendment to RBI directions in respect of public deposits for non-banking financial companies. Some of these amendments relating to intercorporate deposits and debentures are more restrictive than the earlier position. However there have been recent press announcements that RBI is in the process of reviewing these provisions and appropriate modifications will be made. I am also confident that in line with the recommendations of the Shah Committee, RBI will be focussing on the asset side of the non-banking financial companies with guidelines being prescribed for capital adequacy equivalent to those prescribed for the banks and leave the liability management to finance companies within broad policy parameters. Such a focus along with the provisions for registration with RBI will certainly help in further development of the public deposit market with adequate investor protection.



Statements have been made in the past that financial institutions whether in the private sector or in the public sector by their very nature and operations have an obligation to conform to public policy and work in partnership with government. I would entirely concur with the sentiments expressed by such statements but there is certainly a need to create a forum for interaction between the Government and the financial institutions both in the private and public sector. In fact with the creation of level playing field and the process of privatisation of the public sector, the distinction between the private sector and the public sector should gradually vanish. In such a scenario, setting up of such a forum for interaction with the Government, bringing together under one umbrella the entire financial services sector should not be difficult and can be done with the co-operation of all the parties involved. I am quite confident that 20th Century will play its due role in this process and will continue to be a significant player in the market with growth being achieved in various product segments of the company over the years.

Finally, I would like to thank my colleagues on the Board, staff members, the shareholders, debenture holders, depositors, the banks and the financial institutions for their valuable support.

Bombay

May 12, 1993

This does not purport to be the proceedings of the Annual General Meeting.

CLEA • TCF • 35

Sustainable Mountain Agriculture

Beyond a 'Mountain Perspective'

R Maria Saleth

Sustainable Mountain Agriculture edited by N S Jodha, M Banskota and Tej Partap; Oxford and IBH Publishing Co, New Delhi, 1992; two volumes, pp xv + 807, Rs 795.

ALTHOUGH it is generally believed by many that the concept of sustainable development (SD) entered into the political etymology only after the seminal publication of the report *Our Common Future* by the World Commission on Environment and Development in 1987, it was originally proposed much earlier in the report *World Conservation Strategy: Living Resource Conservation for Sustainable Development* prepared jointly by the World Conservation Union, United Nations Environment Programme and World Wide Fund for Nature in 1980. Despite being written so much over the years, confusion continues to persist as to what SD means in an operational and policy context. But what is surprising is that, in spite of so many still unresolved conceptual and operational problems, there has been a systematic effort by a number of international organisations, including the World Bank, to search for a unique recipe for achieving SD everywhere!

Most of the conceptual confusion and operational difficulties related to SD could be eliminated provided one recognises the full import of the following five propositions about SD. First, since SD is a multi-dimensional concept with three critically interacting dimensions—ecology, economics and ethics—the necessary conditions for achieving SD are: ecological security, economic efficiency and social equity. This proposition underlines that SD does not end with the sustainability of just the environment and resource system but requires the sustainability also of the economic and social systems. Second, SD is a relative concept both in time and space. Absolute sustainability even where it is possible to identify (e g, groundwater use policy based on annual aquifer recharge) is of little practical relevance except to serve as a yardstick to evaluate the extent of deviation of the current pattern of resource use. Third, SD is contextual both in time and space. That is, what is considered sustainable in a given region/ecosystem/time need not be sustainable in another region/ecosystem/time. The contextual nature of SD precludes the possibility of identifying a unique recipe for SD applicable everywhere and at every time. Fourth, SD is a hierarchical and interrelated process where the past, present and future sustainability of households, villages, nations and the planet itself is inter-linked. Consequently, it is not possible to achieve sustainability at one level without achieving it at other levels. And fifth, although SD should be defined and measured in the bio-physical domain rather than in the economic domain in view of the inability of the current market to reflect future preferences and options, the criteria driving those physical measures should necessarily be based on economic efficiency and social equity considerations.

The above five propositions taken together could provide a very useful methodological framework for operationalising the concept of SD in a practical context. This framework is used here to evaluate the conceptual, methodological and empirical contributions of the book under review to our understanding of SD within the particular context of mountain agriculture.

The two volume book edited by Jodha, Banskota and Partap with a foreword from Gordon Conway is a compilation of papers presented at the International Symposium for Strategies on Sustainable Mountain Agriculture held at Kathmandu, Nepal, during September 10-14, 1990. In addition to the conference papers, a few papers reporting relevant research work of the International Centre for Integrated Mountain Development, Kathmandu, which hosted the symposium are also included. The 33 chapters in the two volumes contributed by some 46 authors, including the editors themselves, are organised into five parts in terms of their thematic focus. Volume one containing 15 chapters arranged in three parts deals with the conceptual and operational aspects of SD as well as certain common strategies and perspectives essential for its achievement in the context of mountain agriculture. Volume two containing 18 chapters grouped into two parts highlights the grassroots level experiences and success stories as well as institutional and technological innovations necessary to promote sustainable mountain agriculture. Although a great majority of the papers represent the experience in countries having areas located in the Hindu Kush-Himalayan (HKH) region like India, Pakistan, Nepal, Bhutan and China, there are also a few papers reporting on the sustainability concerns of mountain agriculture in the Andean region of South America.

Use of MP-SF

Part one comprising six chapters focuses on the perspectives and approaches considered essential for the evaluation of the sustainability status of mountain agricultural systems. In the introductory chapter, the editors provide a cryptic overview of the issues and themes covered in the book. There is also an attempt to analyse and synthesise the contributions of individual chapters especially in terms of both micro and macro strategies and approaches for sustainable mountain agriculture. Chapter two contributed by Jodha where the so-called 'mountain perspective-sustainability framework' (MP-SF) is elaborated assumes critical significance as MP-SF has been extensively used throughout the book as a tool for evaluating the sustainability implications of various development interventions, macro-economic policies and institutional and technological options.

The MP-SF stipulates the explicit or implicit incorporation of the operational implications of mountain specificities, i e, inaccessibility, fragility, marginality, diversity/heterogeneity, niche or comparative advantage, and human adaptation mechanisms when designing and implementing development policies and programmes in mountain habitats. The six mountain specificities are not independent but interlinked in view of the commonality of causative factors and shared consequences or mutual externalities. The operational significance of the mountain specificities emerges from the fact that they specify not only the potentials and constraints but also the evolution of dependent patterns of activities. Under MP-SF, the negative changes in terms of lower productivity and resource degradations currently evident in mountain agriculture are traced to the failure of the conventional development paradigms to incorporate in them the operational implications of mountain specificities. Approaching sustainability via unsustainability and using the variables reflecting the negative changes in resource base, resource use, production flows and management practices, Jodha has also identified a set of 'indicators of unsustainability'.

While chapter three provides a comparative picture of mountain agricultural development strategies in the HKH

region, chapter four describes the development strategies in the Andean region. An analysis of development experiences of these regions in the four areas of public policy, i e, nature of investments, management and decision-making, major thrust in sectoral programmes, and public service support is provided to show that the missing component in these policies is the mountain perspective. The next two chapters evaluate the response of farmers to the development policies and programmes in the HKH region in general and Nepal in particular. Special emphasis has been given to the way farmers adapt themselves to various mountain specificities. The upshot of the analysis is that while farmers' strategies vividly reflect their recognition of mountain specificities, government policies, on the other hand, display a neglect of the imperatives of the mountain perspective.

Population Dynamics

Part two with six chapters revolves around certain macro issues affecting the long-term sustainability of mountain agriculture such as population growth, macro-economic policies, institutional and infrastructural requirements and biodiversity. Given the resource base and its productivity in a given region of eco-zone, the population dynamics determine actually the carrying capacity of the system. Mountain specificities influence population growth and hence the carrying capacity. For instance, fragility and diversity require a labour-intensive production pattern leading to the preference for a larger family. Therefore, conventional population control measures will not work in mountain regions. To stabilise mountain populations what we need instead is a rapid economic transformation through mountain perspective-based macro-economic policies, including the policy of relocating part of the mountain population in the plains and urban centres. From an operational point of view, the incorporation of the mountain perspective basically translates into the need for both tailoring the macro-economic policies to reflect the potentials and constraints presented by the mountain environment as well as a radical modification of current project evaluation techniques including the cost-benefit approach.

While chapter nine evaluates the sustainability implications of induced institutional innovations like the Sukhomajri experiment in Haryana, Dhading Development Project in Nepal, and the Contractual Responsibility System in the Miyi county of China, chapter 10 outlines the implications of physical infrastructures for human resource development, technology transfer, new markets, and capital formation in the particular context of two mountain districts of Nepal. Chapter 11 that elaborates on the four-dimensional nature of mountain agriculture (i e, elevation, latitude, longitude, and culture) makes an interesting attempt to fit various mountain agricultural systems spread around the world into five idealised models defined in terms of economic focus, population level, land-use, and cultural factors. The implications of bio-diversity which is slated to be responsible for the emergence of mountain specificities themselves are discussed in the final chapter of part two. In order to counter the detrimental effects of the loss of bio-diversity caused by economic, demographic, institutional and technological factors, it is suggested to shift the emphasis from the sustainability of particular resources to that of the mountain ecosystem as a whole.

The three chapters included in part three empirically illustrate the utility and significance of some analytical methods and planning techniques useful for designing sustainable mountain agriculture. While chapters 13 and 14 describe in technical detail the derivation of finer agro-climatic zones for Nepal based on a set of bio-climatic variables, chapter 15 demonstrates, in the context of Sindhupalchok zone of Nepal, how the technique of Geographic Information System could be used to derive indicators of unsustainability. The most pertinent contribution of the latter chapter is that the nine politico-administrative units of the Sindhupalchok zone are ranked by their relative unsustainability status in terms of the indicators of unsustainability like food security, nutritional status, landholding size, and livestock per capita. The policy significance of this approach is that the unsustainability ranking established through economic, equity and resource criteria could guide policy-makers not only in establishing regional priority but also identifying regional-specific programmes and their target groups.

Farmers' Strategies

Part four with nine chapters concentrates on the sustainability implications of mountain farmers' strategies. The lead chapter here presents a so-called 4-S model (i e, space, season, sector and society(?)) to explain the technology choice of farmers. Since farmers' search for innovations is a set of continuous events rather than discrete events or accidents, an effective diffusion of innovations among farmers requires repeated experimentation, improvisation, and adaptation to ensure individual and collective feedbacks. The ignorance of this fact explains why current technology diffusion models have failed to register the required magnitude of impact. The remaining eight chapters of part four discuss the practical strategies of mountain farmers observed both in the HKH and Andean regions. Understandably, the nature of strategies differs across different farming systems within the mountain agriculture so as to cope most effectively with the specific constraints and potentials presented by mountain specificities. All the chapters in part four are unanimous in emphasising the critical need for reviving traditional resource management systems and indigenous institutions to promote sustainability. Moreover, understanding the rationale behind these systems could provide clues for the identification and introduction of the right kind of modern technologies and institutions.

The broad focus of part five containing the last nine chapters of the book is on some of the successful and innovative approaches and experiments found to induce desirable economic transformation in the mountain areas of the HKH region. They cover the anti-poverty-focused and local-resource-centred programmes in China, area-based integrated development strategy in India, technology diffusion and institutional initiatives in Nepal and agricultural research and village management systems in Pakistan. These success stories are essentially case studies of hope for the sustainability of mountain agriculture. However, since their success depends upon specific local circumstances, the potential for replicating these experiments elsewhere in other mountain regions is severely circumscribed. For instance, the success of the area-based horticulture-led development strategy of Himachal Pradesh in India is mainly due to the powerful stimulus given by the hinterland demand for horticultural products. Such a strategy may not be relevant for Nepal and Bhutan lacking vast hinterlands. Similarly, the success of the Chinese experiment is largely due to the introduction of private incentives which were conspicuous by their absence earlier.

While the policy significance of the MP-SF proposed and extensively used in this book cannot be underestimated, one cannot resist questioning the attempt to elevate an analytical tool to an evaluation technique. Our five propositions about SD advanced earlier clearly show that the mountain perspective based on the six mountain specificities provides only a contextual framework for the evaluation of sustainability, not an evaluation methodology which is 'of course' extraneous to the mountain perspective *per se*. To be fair, most of our propositions are either recognised or implied in the MP-SF methodology, though they have not been integrated systematically. In our view, a more rational and practical approach will be that given the implications of the mountain specificities of a given region or ecosystem, the ecological, economic and equity effects—visible, concealed and potential—of various policies

and programmes as well as different land-use patterns, crop technologies and institutions should be evaluated in terms of suitably designed variables reflecting those effects in a measurable form. Since this approach has the capacity to rank various policies, programmes, projects and even different regions and agro-ecosystems in a relative context, it has the practical relevance for identifying regional-specific mix of programmes and also their target groups. In this respect, we reiterate that the indicators of unsustainability will be appealing only in a relative context as has been demonstrated in chapter 15.

Region-Specific Approach

Despite the fact that the evaluation methodological requires improvement, the central message of the book is very clear. Development policies and programmes currently being implemented in the mountain areas are alien to the sustainability requirements of mountain agriculture insofar as they are based on models suitable mainly to plain regions. Since these programmes have failed to incorporate the mountain perspective both at their formulation and implementation stages, they do not often get tailored to fit the specific constraints and potentials presented by the mountain ecosystems. When macro-level policies implemented from above failed to arrest the erosion of the resource base of mountain agriculture, grassroots level programmes centred on farmers' indigenous technologies and institutions have been greatly successful in promoting mountain agricultural sustainability. This suggests the critical need to look for regional-specific strategies to address micro-level environmental, economic, and social requirements. Although specific policy options do vary across regions and agro-ecosystem, the book suggests a general approach, i e, a resource and area-centred integrated development involving a two-way adaptation where mountain specificities are adapted to suit production activities and the latter, in turn, are designed to fit within the potentials and constraints of the former. The identified policy prescriptions for such an integrated approach to mountain development are: fuller utilisation of the inter-linkages both within and between various farm and non-farm production activities and inter-regional linkages both within and across mountain regions, demand-side management, judicious blending of traditional and modern technologies and institutions.

Regarding its empirical contributions, the book abounds with very detailed documentation of field level observations of farmers' strategies and development experiences obtained in the context of the two of the most important mountain agricultural systems in the world. Despite some methodological problems with the MP-SF, the analytical and policy contributions of the book are truly immense. The book is a definite success not only in driving home the need for a radical transformation of conventional development paradigms but also in providing a detailed alternative approach for mountain agricultural development. This well edited book with comprehensive regional and thematic coverage and complete cross-references to its chapters contains a detailed bibliography and information on almost all aspects of mountain agricultural sustainability. The index at the end will be very helpful in guiding readers through the book. Although conferences and symposiums continue to function as a spot market for the exchange of new ideas, recording and documenting the proceedings in the form of books could enlarge further the sphere of intellectual transactions both over time and space. While we are sure this compendium will have a warm reception from fellow researchers with an interest in sustainability in general and sustainability of mountain agriculture in particular, the book will realise its main purpose only when policy-makers in the realm of mountain development respond constructively to its central messages.

Malcolm's Travels

Harmala Gupta

The Autobiography of Malcolm X as told to Alex Haley; Ballantine Books, New York and Random House of Canada, Toronto; thirty-third printing, 1992.

WHEN Malcolm arrived in Saudi Arabia on the final leg of his Haj pilgrimage to the holy city of Mecca he found himself in a land he had never dreamed existed. He no longer stood out as a man of colour, any way there were too many colours here, but rather as an American brother who was to be helped, hosted and instructed along the way. The warm hospitality and the spontaneous affection he received from prince and pauper alike warmed his heart and changed his mind in a way that he had never thought possible. Here were people as white as the 'devils' back home and they loved and respected him! Was it possible after all to be white and yet not be a racist? And, more to the point, was Malcolm up to the challenge?

His subsequent thoughts, penned in a letter from Mecca, would prove he was: "Despite my firm convictions, I have been always a man who tries to face facts, and to accept the reality of life as new experience and new knowledge unfolds it. I have always kept an open mind, that is necessary to the flexibility that must go hand in hand with every form of intelligent search for truth" (p 340). Malcolm would also ruefully recall at this moment, as he would on numerous later occasions, with growing regret, the cutting rebuke he had administered in Harlem to a young white woman who had wanted to join his cause. For him she had then been beyond the pale.

Malcolm however continued to believe that if the whites in America wanted to sincerely fight racism they should do so in their own constituency, for that was where the problem lay, rather than cosy up to the blacks. He had nothing but contempt for those 'nigger lovers', as he called them, who hung around the blacks in Harlem and elsewhere. To quote him: "I have these very deep feelings that white people who want to join black organisations are really just taking the escapist way to salve their consciences. By visibly hovering near us, they are 'proving' that they are 'with us'...Where the really sincere white people have got to do their 'proving' of themselves is not among the black *victims*, but out on the battle lines of where America's racism really is—and that's in their own home communities.."(p 376). A lesson that those who would fight the communal enemy today could well take.

Neither did Malcolm have warm feelings for the "token integrated" middle-class blacks (especially the preachers and PhDs) whose real profession he opined was to be a negro for the white man. These 'Uncle Toms' he felt had undermined the cause of the Afro-American by adopting the white man's standards of respectability and now shared his racist point of view as well *vis-a-vis* their less fortunate brethren. In India, today, the leadership of the minorities, in the main, it may be argued, fits this description well. He was however to modify his stance with regard to the value of the civil rights movement led by Martin Luther King and acknowledged that it may have a role to play in regions that had not experienced the full brunt of racism. He was quite sure though that it had no place in the ghettos of Harlem where the law of the jungle prevailed.

Malcolm's travels to Africa further cemented the change in his outlook.

It filled him with pride to see Africans running their own affairs and engaged in the most complex of tasks. He also met some whites here who were working in partnership with the local governments and populations. This gave him hope that if these African governments threw in their lot behind the cause of the Afro-American the American state would have

to respond if it wished to maintain its image in the international community. He no longer called for a separate state for blacks within America which had been an outcome of his earlier belief that racism could never be surmounted by individual whites. He believed now that it was a collective problem which had its roots in an exploitative system, and that sincere whites together with the blacks could work towards changing the system and thus combating racism.

It was a thoughtful and in many ways a wiser man who returned to the states after his sojourn abroad, where he had received wide acclaim and had been treated like a head of state. Even his conversion to Islam seemed to take on greater meaning. He realised that what Elijah Muhammad had propagated was a doctrine of racial intolerance that had nothing to do with the brotherhood of Islam. He now turned to scholars from the holy land itself, some of whom had associates in the states, who could instruct him properly in the faith.

The autobiography of Malcolm X is the tale of a man who since childhood found himself constantly engaged at home with forces that seemed to have only one purpose in mind—to keep him in his proper place, as a black man in America. Though, ironically, thanks to his mixed breeding, Malcolm was much lighter in complexion than any of his siblings and had red hair to boot. He was later to recall, with some guilt, that his lighter colouring had earned him a special place in his father's affections while it had the opposite effect on his mother, who could have passed off as a white woman. He was never dark enough for her. In time his red hair too was to become for him the mark of his shame. In Harlem, in the early years, however, it was the flag of his trade and earned him the nickname 'Red'.

While Malcolm's travels abroad were to serve as an eye-opener and were to change him in many ways, so did his earlier travels at home.

In prison, serving a sentence for armed robbery, Malcolm taught himself to read and soared on the pages of the books he read to many distant and exciting lands. It was a time of self-discovery for him as he read about his African heritage. At night, under the faint glow of the bulb hanging outside his prison-cell, he discovered that he was a real man, with an ancient past that he could be proud of! He was an African-American! Before long he would also be laying claim to an indigenous religion, that of Islam.

Malcolm's stay in prison was to free him in a manner he could never have imagined. For the next several years he was to barnstorm American campuses and black neighbourhoods taking everyone in his stride. This was the time when he helped the Black Muslim movement under the leadership of Elijah Muhammad expand its membership and was instrumental in setting up several of its temples.

Unfortunately, however, as Malcolm's popularity grew so did the ranks of his detractors. Once again the little folks were busy tying him down.

For them his voice was just a little too loud, his manner just a little too insistent, while his face and his past could have done with less colour. They argued tha he was a threat to America's innocents—the poor, the black and the young —and to the American way of life.

The battle for the minds, hearts and souls of Americans was heralded by the media and conducted in colleges and university campuses throughout America. The invitations came thick and fast and no stone was left unturned in revealing the nature of the beast in all his red hair, tooth and claws. They would, time and again, pit against this man of a single letter, their men of many letters, in black and white, hoping to show that the first and the last word belonged to them. What they had not bargained for however was the resilience and intelligence of the man. Not only was he able to successfully elude all their thrusts but he began to set the agenda as well. Thus, when they invited him to talk about race relations and black violence, he offered to state his views on the future of the American space programme, and other such esoteric subjects, considered the white man's preserve. He had what he referred to as a 'psychic radar' which enabled him to foresee his opponent moves well in advance and which helped him build his mass appeal. So they never really landed a satisfactory punch, that is, until Elijah Muhammad stepped in.

For some time Malcolm had been hearing some disconcerting stories about the private affairs of the Black Muslim leader which, as was his style, he was to confront him with. Elijah Muhammad sought to justify his transgressions of the flesh by referring to his special status as messenger of the most high. Neither man it seems went away fully convinced.

The moment of decision seemed to present itself with the assassination of president John F Kennedy when Malcolm, asked for a response to the incident by a reporter remarked that, "the chickens were coming home to roost". Almost immediately Elijah Muhammad disassociated himself, and the Black Muslim movement he led, 'The Nation of Islam', from the remark, and let it be known that Malcolm was no longer a welcome member and would have to show repentance before he could be forgiven and reinstated in any capacity.

It was an unfortunate, though not unexpected, blow for Malcolm who had worked tirelessly and selflessly for the Black Muslim cause in America and had been its most sought after spokesperson. He believed that there was also an unwritten contract out to kill him. It seemed like a good time to travel. Before departing, however, Malcolm announced the formation of Muslim Mosque Inc made up of members of the Black Muslim movement who had chosen to throw in their lot with him. The new mosque, he explained, was to serve as "...the working base for an action programme designed to eliminate the political oppression, the economic exploitation, and the social degradation suffered daily by 22 million Afro-Amercians". He had, therefore, it seemed not given up his belief that even as Islam had liberated his 'jungle' mind it would do the same for his fellow blacks.

When Malcolm returned from Haj, and from his travels to Africa, he was, as we have already mentioned, a man with a different point of view. His statements abroad, as quoted in the American press, had already caused some consternation among his followers at home. He was greeted by a barrage of questions from reporters soon after touching American soil and reiterated what he had already said about having learnt a lesson in brotherhood. When his attention was drawn to the racial violence that had recently rocked some American inner-cities he declared that the Afro-American should take the issue of his 'human' rights to the United Nations where the black African states would back him up.

Even during the interviews Malcolm X was constantly looking behind his back and this was to be his way of life for the remaining period of his existence. He seemed to believe that it was but a matter of time before the Black Muslim brotherhood got him. He felt well and truly trapped for, while 'the so-called moderate' civil-rights organisations avoided him as 'too militant', the 'so-called militants' avoided him as 'too moderate', while the press found it hard to accept anything except, in his own words, "my old 'hate' and 'violence' image". He even asked for state protection during this period and it was also now that he dictated, in nervous and suspicious fits and starts, the events of his extraordinary life to Alex Haley.

This was also the time when he began to plan for the first time for the future of his wife and his children, knowing that he had nothing to leave them except perhaps the royalties from this book for which he had already taken an advance.

Malcolm's travels ended where they had begun, in prison. Except that the one he was in now had no visible bars. Alex Haley who was one of the few to speak to him and meet him during this tense waiting period states that his statements were often vague and contradictory and his behaviour bordered close on paranoia. The fusillade of shots that killed him were perhaps the ones that set him free.

Exploring School-Community Linkages

Edward A Rodrigues

Tribal Education for Community Development by Rudolf C Heredia; Concept Publishing Company, Bombay, 1992; pp 247, Rs 300.

FORMAL education has always been perceived to have a crucial impact on the development of tribal communities in India. Much evaluation of this effort, however, has restricted itself to the quantitative spread of education in tribal areas. Various agencies involved in this effort seem to operate on a tacit assumption, that formal education is beneficial for the tribal community. The author of this study, however, critiques such an assumption emphasising rather, that the formal school certainly needs a greater degree of sensitivity towards the tribal community if it must prove to be truly beneficial to them.

The study is based on a survey of educational development in Talasari taluka of Maharashtra. This is a predominantly tribal region inhabited by the Warli community. The Jesuit missionaries have been working in this region for over four decades. They have a network of several schools in this region catering to the educational needs of the tribals. It is at their behest that this study was done with an aim of providing them a review of educational development in this region. Schools run by the missionaries, the government and the voluntary agencies are taken up for investigation.

Patterned very much on the survey method in social science research the initial chapters deal with theory and background issues, a chapter on data analysis and finally a concluding chapter dealing with issues that arise from the study. Data for the study was obtained from sample groups consisting of students, their parents and the school teachers. As is normally the case with the survey method, a vast amount of information was obtained covering personal background, present status, perceptions of themselves and others, group orientations, aspirations, etc.

The study offers a very complete and systematic presentation-cum-analysis of the data. From the analysis of the various relationships presented, it would appear that even in tribal communities, the socio-economic conditions continue to influence the relationships between school and community. The performance of the students, the support of their parents, the ability to take advantage of educational opportunities, the students' aspirations, etc, were all directly related to their socio-economic conditions. In the case of the teachers, their enthusiasm and commitment for their job was directly related to the type of schools and the sort of inputs offered by the school administration. On both these counts the teachers in mission schools performed much better than their counterparts in the other schools.

As the author himself has pointed out, the data reaffirms theoretical positions concerning the influence that the larger society has on its school system. In this sense the tribal community is no different from other social groups. Overall the review of the mission schools does bring them out in a positive light. Despite certain shortcomings, the students, their parents and the school teachers displayed a high degree of awareness and enthusiasm for school education.

The conclusions from this study are both interesting and provocative. Despite the difficulty in establishing their relationship with the rest of the study, they nonetheless stimulate discussion on the relationship of school and community not only in the case of the Talasari tribals, but for tribal communities throughout the country. How do tribals perceive the school in their community? Why are Indian tribals in general not taking advantage of the educational opportunities offered to them? What should be the relationship between the school and the community?

Placed against a background of a political, economic and cultural awakening of tribal communities in India today, Heredia focuses on a micro-level change that the school can initiate in tribal communities. He argues that school can play a more active role in the process of social change taking place in tribal communities. While macro structures might be rigid monolithic and at times even oppressive, much can be done at the micro level to induce change. For the author the school must not only be a school but also a community centre. He suggests various types of activities to bring about this greater integration between community and the school, such as adult literacy, social welfare, parents-teachers associations, relevant syllabus, instruction in mother tongue, etc. The author himself admits that such a change would be met with great resistance. He sees the answer in a people's movement for educational change, but no effort is made in the book to explain how such a movement can be brought about.

Perhaps there is need to rethink both 'school' and 'community' in terms of their ground realities. Are tribal communities necessarily homogeneous? Even in the Talasari setting fragmentation has already occurred giving rise to various social groups. Students from all these groups are in the class room. How should relevant education be defined in such a setting? Tribal communities are as such not exempt from the forces of change that have already taken place in the rest of the country.

The crux of the matter then is that 'school' whether of the formal or the non-formal type is a learning activity, that is firmly embedded in an ideology that reflects the dominant structures within a social setting. The mission school is as much an ideological activity, as are the schools run by the government. So what then is the mission's ideology in the class room? At no point is this issue discussed.

The model of the 'community school' is certainly a very creative and constructive concept. Yet, its success on the ground has rarely been witnessed in societies whose social structures are marked by economic and cultural inequalities. In such societies, the model often only has a populist value, it is used to disguise the contradictions and the inabilities of the system to provide effective and efficient education for its school-going population. From an anthropological point of view, it may well be said that Indian adivasis had for centuries their own non-formal form of community school. Why that form of learning had to be done away with and why an alien model introduced in their midst is exactly the problematic ground, from which any enquiry into educational development for tribal people must begin. That would bring to light the fact that even for the missionaries, the 'school' is part of the top-down model of development.

For those involved in either the research or planning of education in tribal communities, this book makes an interesting contribution. The data in this study could provide a good basis for comparison of educational development in other tribal regions of the country. At yet another level, the work can stimulate discussion on several issues concerning the 'school-community' relationship as it presents itself in tribal societies. Social activists working in this field must certainly take note of the work to evolve a more sensitive approach to the school in tribal communities.

Cultural Communication in Literacy Campaigns

Social Relational Contexts, Processes and Hegemonic Organisation

Denzil Saldanha

Communication processes in literacy campaigns have important implications for the movement of vast sections of people from a culture of orality to one of literacy. The teaching-learning process provides access to the symbolic systems of the literate universe. Several cultural groups and literacy activists are thrown up by the process of cultural mobilisation that takes place on a relatively extensive scale during the district campaign. What are the larger organisational implications in terms of creating an alternate cultural hegemony for economic entitlements, especially during the post-literacy period and beyond?

I
Introduction

THIS article focuses on the environment building aspects of literacy campaigns.[1] Various communication media have been utilised in the literacy campaign districts in order to stimulate motivation, generate mass participation and to create a cultural climate that is congenial to literacy. Popular cultural forms have occupied a central place within the mobilisation process of environment building. The article begins with an identification of the messages and some of the folk media that have been utilised in literacy campaigns in Maharashtra. It continues with an analysis of the communication processes in the field on the basis of one's observations, interviews and group discussions.[2] These micro-level systems of communication have been discussed with reference to the folk media that have been utilised, the contexts and processes of communication, and the impact that they have had. The impact is seen both in terms of immediate motivation and mobilisation as well as the possibility of its transfer to sustained teaching-learning. What follows is a recapitulation of some general conclusions relating to popular communication during environment building in literacy campaigns.

Communication processes in literacy campaigns have important implications for the movement of vast sections of people from a culture of orality to one of literacy.[3] The use of folk forms in environment building, in fact draws on the oral culture of the people in order to facilitate and motivate their transition to literacy. The teaching-learning process provides access to the symbolic systems of the literate universe. Several cultural groups and literacy activists are thrown up by the process of cultural mobilisation that takes place on a relatively extensive scale during the defined spatial and temporal frames of the district campaign. What are the larger organisational implications in terms of creating an alternate cultural hegemony[4] for economic entitlements, especially during the post-literacy period and beyond? The article attempts to address itself to this issue in conclusion.

While discussing the collapse of old paradigms and methodologies for communication studies, P Mohan underlines the need for a new approach that is contextually situated, descriptive in character, and that works upwards towards a theory of communication. "The new paradigm would have to seek paths of change only as ordinary people need and want them, and always in harmony with their environment and history. The new paradigm must not set its own course, but discover it... Communication Theory must return first to the villages, the workshops, the marketplace, and even to the places of worship—but this time only to observe, describe, and to try to understand [Mohan 1992: 775]. The approach in this paper is broadly in accordance with the one that has been suggested.

A brief explanation of the emerging conceptual framework might be useful at the outset. One views the teaching-learning process of transition from orality to literacy as central to the literacy campaign. The literacy campaign is introduced into the relatively structured and given socio-economic context of the district. It attempts to create a cultural climate for literacy through the use of folk media drawn from the culture of orality of the people. This process sets in motion the macro-level dynamics of social mobilisation right up to and during the micro-level phenomena of teaching-learning in scattered villages and in discrete groups. One has attempted to describe the contexts, processes and forms used while communicating in village situations and their impact on motivation for sustained learning. These systems of communication, as part of a larger cultural mobilisation, have important implications for the possibilities of creation of an alternate cultural hegemony during post-literacy by utilising the potential of the 'organic' intellectuals that might have emerged from the campaign.

II
Messages through Folk Media

Several folk forms have been fruitfully utilised in the literacy campaigns in Maharashtra. During the environment building programmes in Ratnagiri district, for example, the kalajathas drew from musical forms such as lavani, powada, gondhal, jagar, etc. Environment building gave expression to songs from tribal traditions such as the Dhangari Lok Geet and from religious sects like the Varkaries, followers of Vithoba of Pandharpur. During the environment building phase which was held in an intensive manner from February 27 to March 8, 1992, 67 cultural teams went out to the different villages on kalajathas. The main thrust of the messages conveyed through song, dance and discussions was literacy. However, it was reported that other issues such as mother and child care, family planning, watershed management, the problem of alcoholism and dowry, small savings and agricultural development were also conveyed.

In this district, the participants in the kalapathaks were drawn primarily from the middle classes and in particular from the school teachers. However, in the TLC districts from the Marathwada region, like Latur and Nanded where the Bharat Gyan Vigyan Samiti (BGVS) has been active one has observed a greater participation of the traditional practitioners of the folk media. The kalajathas organised by the BGVS from October 22 to 30, 1990, during the Wardha campaign were held in five central villages in each of the eight talukas of the district. These jathas were also reported to have involved several local traditional artists.

The District Literacy Campaign Committee of Latur, with the participation of the BGVS, has brought out a recorded cassette—Saksharta Geet Mala—of songs that draws on various folk forms: geet, bharud, bhajan, abhang, gondhal, lavani and powada. A content analysis of the central themes in these songs suggests that the following areas are covered: literacy for a happy family life and as a key to knowledge; literacy for women's emancipation; the problems of alcoholism, slowry and superstition; poverty and oppressive work conditions of labourers and literacy as a tool for emancipation; caste discriminations; inspiration to keep pace with a changing scientific world; literacy as prayer and devotion to god and the spirit of nationalism.

One has come across several innovative forms being used during the environment building campaign. Some of these spread the message of literacy by relating the forms to local festivals: akshar kandils and akshar rangoli at the time of Diwali and Akshar Ganapati at the time of the popular festival in Maharashtra. These were extensively used in Ausa taluka in Latur district. In the Sindhudurg campaign, haldi-kumkum celebrations were widely used to mobilise the women and bring them together to discuss issues related to their everyday life. In the slum pockets of Bombay, a voluntary organisation Committee of Resource Organisations (CORO) has attempted to relate literacy to major social reformers who have been close to the dalit community by celebrating the anniversaries of Jotiba and Savitribai Phule and Ambedkar. The environment building phase of literacy campaigns has contributed not only to the motivation for literacy but also to the education of the literate middle classes by releasing the latent creativity of a large number of individuals. Teachers, low level government officials and unemployed youth from sections that might be considered as "traditional" intellectuals have been drawn to the cause of literacy for the disadvantaged. There is a need for an organisational form that would take forward the potential of these individuals in a sustained manner during and after the post-literacy phase of the campaign.

The District Literacy Campaign Committee of Nanded has published a collection of folk musical forms that were to be used in environmental building. The publication is entitled Sakshar Sarita (refer to the appendix for a brief description of some of these forms). The compositions were selected in a participatory manner. Language and music experts were also consulted. During our field visits we found that local artists and instructors were making use of the publication.

The following table presents a cross tabulation of the different folk media according to their thematic messages. One finds that geet, a popular form that is generally used in diverse occasions, is most represented in the publication. Devotional forms such as abhang, bhajan and bharud are the next in importance. The musical form of lavani that has found expression in the popular theatre of tamasha, has also received adequate representation in the text.

One has attempted to identify the central thematic focus of the messages communicated through the various folk media. The content of an invitation to the ignorant (adani) to move out of the darkness (andhar) of illiteracy towards literacy is the one that is most often repeated. This theme is to be predominantly found in the forms of geet, abhang and bhajan. Communication processes and forms provide some indication about the subject who is communicating, i e, the composers and the performers. In the case of the foregoing theme, it appears that a middle class condescension towards the illiterate has gained some degree of predominance in the compositions. Most of the thematic messages provide a rationale for achieving literacy. However, some of them focus on a direct inspiration for literacy through the use of emotional appeal, metaphors and colourful language. These songs are, as it were, a glorification of the letter (akshar) and an invitation to literacy. The call to women to view literacy as a means to their emancipation is a theme that has a high degree of predominance throughout a number of the forms, in particular, bharud, gondhal and geet. This is relevant in a situation where the vast majority of the learners are women. The spirit of nationalism as an inspiration to literacy resounds in some of the forms; as well as the call to widen one's horizons and gain knowledge (vidya, dnyan). It appears that some of the messages that might have a greater contextual appeal to the lives of the learners and instructors—the conditions of oppression and the rights of labourers; overcoming cheating and usury, inspiration to voluntary instructors; inspiration from social reformers for learning and the appeal to enrol in schools—have not been adequately represented. The powada which has been used in the past to inspire social awareness during movements, covers some of the messages; as well as the more secular forms of lavani, ovi and street play. Do some of the forms lend themselves by their very aesthetic qualities to the propagation of particular messages, is a question worth researching.

III

Local Contexts and Processes of Communication

This section adopts an inductive approach to micro contexts of communication. It describes the contexts and processes of the use of folk media in varied field situations and at different points of literacy campaigns. One attempts to narrate one's learning experience in response to these situations.

We visited Budhada village in Ausa taluka of Latur district on November 6, 1992. Budhada has a population of 2,324 persons. 110 illiterates in the age group of 15-35 had been identified in the survey. The teaching-learning process in this taluka and village had begun in May 1992. The initial 22 classes had now been reduced to 16 as a result of drop-outs from among the instructors and the impact of drought, the onset of the monsoons and the agricultural season. However, an attempt was made to integrate some of the left out learners into the running classes. The village had an upper-primary school with eight teachers. Unlike the situation with most primary schools, the teachers resided in the village. They could thus more closely identify themselves with the motivation and conduct of the campaign at the village level.

We moved around the village, tracking down the dynamics of the campaign from instructors to the learners, to the teachers who trained and monitored the campaign, to what was generally perceived to be the initial motivating fulcrum of the campaign—a cultural group called the Panchasheel Gayan Mandali, which had played a major role in the environment building process in this and the surrounding villages. The earlier Adult Education Programme was running for the past one and a half years prior to the campaign. According to the prerak of the Jan Shikshan Nilayam (the literacy activist who conducts the post-literacy centre), the major difference from the past was that a programme with paid instructors and preraks who were doing a job was converted into a social movement. Teachers, students, the educated unemployed youth, the prerak (himself) and the instructors were organised towards voluntary participation in a cause. The cultural group through its rousing songs and their emotive appeal was seen to have lit the first spark of enthusiasm for the campaign.

The group is equipped with dholak, a harmonium, and jhanja. Seven members of a dalit family constitute the group. The lead singer is a girl in her late teens, a seventh standard drop-out from school. The other members consist of her father, mother, uncle and two brothers. The family had been performing in the surrounding villages singing the literacy songs prepared by the campaign organisers, the Bharat Gyan Vigyan Samiti (BGVS) in particular, and the ones they themselves had devised. During this period they managed to survive on the hospitality and gifts provided by their rural audiences and the honorarium. Travel to several villages often meant forgoing agricultural wages which was seen to be worthwhile when one had the satisfaction of getting involved in a

national programme. Their spontaneous performance outside their hut on the outskirts of the village attracted a number of village women. The male folk were out for agricultural work. The performers considered their songs as entertainment with a message. They generally explained the thematic content of the song to their audience. The music helped to draw an audience and to hold their attention, while knowledge was imparted through explanations and discussions.

The motivational impact of the cultural group had spread to a nearby school for the technical training of the blind. The visually handicapped youth in this institution were being trained for weaving and other handicrafts and had begun to learn braille under the guidance of a blind instructor. They had learnt reading and some amount of numeracy with an enthusiasm that outshone that of the sighted illiterate in the village. Their writing abilities were hindered for lack of adequate material. They attributed their interest in literacy to the songs of the local cultural group.

The Panchasheel Gayan Mandali represents the mobilisation of a local, traditional cultural resource—an entire dalit family of singers and performers—to meet the regional needs of the environment building phase of the campaign. Thanks to the literacy campaign a fragile cultural resource based on folk media is provided a direction and a wider legitimacy in its processes of communication. Cultural groups and their involvement in the environment building dimension of the macro campaign process are found to make a major contribution towards the initial motivation of learners and instructors and the consolidation of various social forces—government departments, educational institutions, voluntary organisations and the unorganised interested community in the "social movement" that is the literacy campaign. The use of folk media drawn from local traditions and the direct informal communication processes within small gatherings, facilitate the motivational impact.

Sustaining Motivation for Literacy

Can this impact be sustained over the micro-level teaching-learning process which calls for a comparatively greater amount of discipline, regularity and investment of energy as compared to the flexible and spontaneous dynamics of the environment building phase of the campaign? One has observed that learners and instructors approach the teaching-learning process with a framework of priorities whose configuration is derived from their experience of the struggle for survival in everyday life. High points in the rainfed agricultural season like sowing and harvesting operations, drought, elections, school examinations and vacations, festivals and communal riots result in major breaks in the rhythm of literacy campaigns and, in particular, the teaching-learning process. This provides some indication of the "rational", sustenance-based ordering of priorities. Attempts have been made to create smaller bursts of cultural mobilisation at different phases of the teaching-learning process, especially during low points and periods of stagnation. All opportunities for direct personal contact during the preparatory phase of the campaign have sometimes been utilised to sustain motivation, i e, the survey, training, distribution of material and monitoring. Motivation for literacy, especially when it does not result in immediate economic gain, needs to be seen in this context of grounded priorities. Literacy within the campaign approach calls for a reordering of and a direction to existing priorities of everyday life. Perhaps more than and accompanying cultural events as part of a cultural movement, a functional orientation to literacy instruction could provide the capacity to sustain literacy learning under trying circumstances.

We encountered another cultural group in Valsangi village of Ahmedpur taluka, Latur district on November 7, 1992. Valsangi has a population of 2,223 with 271 learners in the 15-35 age group. 26 classes run by instructors, of whom 17 are school students, cater to the needs of the learners. The classes were struggling ahead despite the claims of the harvesting season on the time of the learners. This cultural group consisted of three generations of a dalit family whose members contributed in different ways to different aspects of the campaign. The father was a primary school teacher by profession and also served as a master trainer. He himself, his wife, son, two daughters and daughter-in-law served as volunteer instructors. His mother had become literate during the course of this campaign. Two school-going grandchildren together with the rest of the family and the members of a local Mahila Mandal had formed a kalapathak, and had toured 10 villages during the environment building phase. The son acted as a prerak of the local JSN. Eighteen neo-literates had passed the fourth standard examination under his guidance. Themes related to social awareness were interspersed in between the songs calling on adult learners to join the classes and the young dropouts to enrol in the schools.

A relevant question that arises is the nature of the organisational form that will consolidate and take forward the large number of cultural resources by way of individuals and groups that have been stimulated during the literacy campaign. Can the cultural process that borders on a movement be sustained in an organised manner after the campaign or will these resources relapse into so many disarticulated foci of cultural expression?

Contexts that Structure Processes

In Palshi village of Latur taluka in the same district, at night on November 5 1992, one had an opportunity to observe the entire repertoire of a kalapathak. The programme had been organised in a village that was identified as 'weak' during the campaign and where the teaching-learning process had stagnated as a result of the agricultural season. The setting was the raised platform of the school building with the major part of the audience of about 300 persons sitting in the darkness on the village square across the road from the platform. Some space on the natural well-lit stage was reserved for the village influentials and the respected visitors who sat on mattresses and cushions. Behind these venerable persons sat some of the village women. The performers would emerge from a classroom by the side of the platform.

One goes into these details of the structured setting and social context of the cultural programme in order to make the point that a kalapathak generally enters a socio-economic context as a given situation. The structured allocation of space during the performance flows from the context and sometimes intervenes in the communication process. There was no dialogue with the audience on this particular night. However, the villagers, especially those from the poor classes, sat with rapt attention from 9.00 p m till 1.00 a m. Attempts have been made on other occasions to breakthrough this imposed structure on commu nication by having a more open setting, by the performers moving among the audience and engaging in informal dialogue and by doing away with the rituals of speeches, votes of thanks and garlandings.

The entire performance bore the character of several scripts within an extended script, constructed into a meaningful whole. It was comprised of kirtans and bhajans sung by a traditional kirtankar with much humour and compelling emotion while conveying the message of learning and literacy; a street play depicting the problems encountered by illiterates, the reasons for the neglect of schooling during the school-going age and the functional aspects of literacy; songs conveying the need for literacy and self advancement; a mono act which narrated stories, anecdotes, and jokes while explaining the need for learning; a skit which drew from mythologies in order to underline the limitations of superstition. The entire programme was interspersed with songs, poems and direct emotional appeals to the adult literate in the village to join the classes, be literate and widen their horizons. One did not have an opportunity to discuss with the assembled villagers given that the programme had extended late into the night and the audience dispersed immediately after. However,

going by the rapt attention and their reactions especially to the humorous and emotional situations, one got the impression that the kalapathak is a powerful instrument for communicating a message to the rural audience and for generating initial motivation. It becomes necessary to have a relatively discontinuous follow-up to these programmes in terms of the next stage in action, lest the cultural programme remains as only a vivid event in memory—an entertaining break from the drudgery of everyday life.

That the reproduction of social structures in the setting of a cultural performance results in inhibition of communication processes, may also be seen in the example of the single-actress play *Vhay Mi Savitri Bai* performed by S Deshpande. We observed its performance on March 4, 1992, in Ratnagiri district. The play depicts the life story of Savitribai Phule as narrated and enacted by her. This powerful medium had been fruitfully utilised in several villages of Ratnagiri district to motivate the women to literacy. The play was able to hold the audience to spell-bound attention with the skilful enactment of an emotive theme that is close to the lives of the women in the district. On this occasion, however, one found that attempts on the part of the performer to stimulate dialogue with the audience met with little success. The reason appeared to be partly due to the mixed audience of males and females which also included children. The women were inhibited to speak out in this context. The other factor was the socio-economic spatial context. Persons from the dalit community who formed the agricultural labourers and poor peasants in the particular village community sat on the ground before the stage. Their employers, the well-to-do farmers and horticulturists from the region, sat on chairs behind them. The location of the play itself was the large courtyard of a major landholder, a political figure in the village who traded in horticultural produce. All these were contextual factors that dampened the possibilities of any horizontal communication. However, one could observe that the audience though silent, left with much food for thought.

The BGVS has played a major role in the environment-building phase of the campaign in Latur district and in the Marthwada region in general. A single kalajatha covered about 10 villages in the vicinity of a central primary school. A halt and stay in a village was followed by prabhat pheris in the morning, discussions with the learners, potential instructors and members of the village education committee during the day and cultural programmes in the evenings. The kalajathas of the BGVS were held during August 15-30, 1992 and covered two talukas of Latur district. Antar Bharati, a voluntary organisation in the region, covered two other talukas while the fifth taluka was allotted to a high school.

Potential and Limits of Cultural Mobilisation

Shirur Dhabade village in Mukhed taluka, Nanded district, is an illustration of the phenomenon that environment-building activities, even with the incorporation of media drawn from the oral traditions of the people ar. inspiring persons to move from orality to literacy, do not necessarily get translated into motivation for sustained teaching-learning. This was considered to be one of the 'stronger' villages in the literacy campaign and in one of the better performing talukas. Hence its importance. We visited this village on November 11, 1992, after the cultural mobilisation of learners, instructors and village level campaign organisers had been held. The initial motivation of 789 learners identified in the village had been consolidated into 74 classes conducted by trained instructors. The instruction had begun on August 15 and the learners were expected to have neared the completion of the first part of the kit. Despite the enthusiasm of the beat-level full time workers in the campaign, of the teachers from the local primary school and the volunteer organisers of the local campaign, one found that the combination of vacations for the teachers and students, and the harvesting phase of the agricultural season had taken its toll on the consistency of the teaching-learning process. Only 28 out of the 74 classes were running during the period of our visit. The claims of survival in everyday-life had gained precedence over the demands on time for literacy instruction. Learners, most of whom were poor peasants and agricultural labourers, had opted to invest their energies and time in maximising the gains from the limited agricultural season, especially in the context of the long months of drought that preceded it. We had reason to believe that they would get back to teaching-learning after the season, perhaps after suffering a relapse from the low levels of literacy that they had attained.

During our round of the village after 9 p m, the time of the classes, we met an elderly primary teacher resident of the village but who taught at a neighbouring one. His son and daughter were engaged in adult instruction while he assisted them through guidance and inspiring songs. He was involved in the local cultural group which had covered this and the surrounding villages. The folk songs that he sung together with the adult learners attempted to motivate learning. The songs drew inspiration from patriotism as citizens of the state of Maharashtra and devotion to Goddess Saraswati on the one hand, and the everyday-life example of persons in similar economic situations on the other. The latter song narrated the story of a daughter-in-law who overcomes the opposition of her father-in-law while persisting with the instruction of her mother-in-law. The male head of the household appreciates the value of literacy and the desire of the women for learning, only when he himself is cheated.

Later that night a cultural programme related to literacy was spontaneously organised. There is a tendency for village-level organisers to hold a cultural performance for the benefit of visiting outsiders. This appears to serve the purpose of seeking legitimacy and appreciation from the wider universe beyond the village and sometimes to cover up the relative failures of the arduous teaching-learning process with the spontaneity of song and dance. The music attracted a large gathering even though it was past midnight. After the initial programmes, we converted the function into a forum for discussion on the problems that the villagers presently faced as regards instruction and the contrast between the enthusiastic response to the cultural event and the poor attendance at the daily literacy classes. Discussions with the members of the cultural group, the local organisation and the assembled villagers led to the following conclusions.

Kalajathas and cultural performances are high points in the life of villagers. They help to create a generalised consensus on the need for literacy, to organise interested persons at the village level, to inspire adults to learning and to convey messages relevant to social development. They attract an audience and convey messages in an aesthetically pleasing and emotionally inspiring manner which otherwise would not hold attention. Importantly, cultural events create a forum for meeting, discussion and planning. However, the drudgery of everyday-life and the demands of the agricultural cycle tell on the regularity of the literacy classes. Organisational factors, such as teachers away on vacations and the leadership involved in the elections, also intervene. The meeting dissolved, not before it was recognised that the campaign was primarily that of and for the village and its learners (not that of the collector, the visitors, the taluka and district-level organisers) and after the garlanding of the learners who had persisted despite great odds and the announcement of a meeting the following day to plan for the revitalisation of the literacy campaign.

Cultural Heterogeneity in Contexts of Urbanisation

A meeting with the organisers, instructors and learners at the Urdu High School which looks after the campaign at the predominantly Urdu speaking Ward No 22 of Nanded town and at the Municipal Marathi High School that co-ordinates activities in the neighbouring Ward Nos 20,

and 21 was held on November 9, 1992, during the day. The schools work in close co-ordination. A joint cultural function held on the occasion at the Samaj Mandir suggested how a cultural event could provide a forum for inter-communal communication at the level of orality and folk culture. Religious and linguistic identity was maintained in the instructional process, with Muslim learners being taught through the Urdu medium, their language in the domestic sphere, while Hindus and dalits learnt in Marathi, their mother tongue and the language of public 'functional' communication in the district. The cultural programme however was conducted by a group of musicians drawn from both communities. The music was inspired by the kawali, gondhal and jogwa forms (the last, a folk form that is traditionally sung by mendicants in honour of the deity, Khandoba). The entire audience understood and related to the variety of popular forms in the two languages which were drawn from diverse religious and oral traditions.

While cultural heterogeneity might make for an organic development of inter-communal communication at the level of oral tradition, it does not necessarily lend itself to the efficient conduct of the teaching-learning process and the transition to adult literacy. We were given to understand that the programme in Nanded city itself was faultering. The problem arises with respect to organising and monitoring the day-to-day teaching-learning process where instruction is conducted through diverse linguistic media and, in addition, is confronted with other problems of urbanisation. Whereas in Nanded district the instruction was through Marathi, Hindi, Urdu and Telugu, the neighbouring Latur district had pragmatically opted, through a process of seeking consensus, for one language—Marathi. It was agreed that Marathi in effect was and would be the language through which the adult literate express themselves in public, functional discourse.

Rural-urban differences have important implications for the conduct of the macro-level campaign mobilisation through communication media and for the micro-processes of instructional communication within distinct literacy classes. Literacy campaigns have generally faced far greater problems in urban areas than in the villages. While well endowed with institutional and human resources, urbanised centres—whether large villages located along highways, towns or cities—have generally faced more problems than smaller villages and relatively homogeneous ones. Apart from their ethnic heterogeneity, urban conglomerations have discrete and functionally institutionalised resources that do not lend themselves to co-ordinated deployment in the cause of literacy. Environment-building measures are confronted with conflicting stimuli—television, cable TV, films—and the dilution and the dissipation of literacy messages. There are conflicting claims on the time for literacy within a context of relatively greater opportunities for self-employment and employment in the informal sector. Apart from psychological and functional reasons that are stated by adult learners as motivating them to literacy—removal of the stigma of illiteracy, a feeling of self-worth and greater independence in inter-personal relations, the ability to communicate through letters and by reading newspapers, greater facility in spatial mobility and functional relations with offices and shops and the capacity to take interest in the education of one's children—an implicit motivating factor for regular attendance at the classes has been the social space that they provide for 'leisure'. Leisure, in the context of literacy learning and especially in a context where no immediate economic gains are visualised, is understood as space and time for oneself and for self-development in joyful interaction with others. The cultural and developmental messages of environment creation get dispersed in their effects and the social space for 'leisure' gets crowded out by the conflicting claims in urban settings.

One has observed these problems not only in Bombay city where a voluntary organisation, Committee for Resource Organisations (CORO) is engaged in a literacy drive in M Ward among the dalit bustis, but also in Nanded city as discussed above, in Latur city, in Loha town of Kandhar taluka, Nanded district, and even in urbanised villages like Ambulga with a population of around 7,000 in Nilanga taluka of Latur district.

We visited Loha town earlier in April 1992 when a major public meeting was held during the environment-building phase of the campaign and again on November 8, 1992. Loha with a population of 15,065 is situated on the state highway. It is well endowed with educational institutions: seven primary or upper-primary schools, three high schools and two colleges. Several training programmes for the regional resource persons and master trainers had been held here. It was visualised that this trading town, market place and communication centre would serve as the focal point for the diffusion of literacy messages and a model of literacy practice for the surrounding villages. The teaching-learning began on May 1, 1992 with 319 classes. However, at the time of our visit on November 8, 1992 only a few classes could be got going for our observations and a majority of the classes had discontinued during the agricultural season and the vacation period. It was film time on the television and market day on the streets. This scenario does not accurately represent the then status of literacy instruction nor the potential of Loha to recover as a result of the efforts of its enthusiastic and committed organisers. What was clear was that while the rural areas around Loha had gained, the campaign in Loha had stagnated, ironically because of the very factors that contributed to its being a major

TABLE: FOLK CULTURAL FORMS

Thematic Messages	Geet	Abhang	Bharud	Gondhal	Bhajan	Powada	Lavani	Ovi	Street Play	Total
Poverty, Oppression and the Rights of Labour-Literacy	5	—	—	—	—	—	—	—	1	6
Overcoming Cheating, Usury-Literacy	2	—	1	—	—	1	1	—	2	7
Literacy for Women's Emancipation	4	—	5	4	1	—	2	1	1	18
Inspiration from Social Reformers for Learning	2	—	—	—	—	1	—	1	—	4
Inspiration for Volunteer Instructors	1	—	—	—	1	1	1	—	—	4
Enrolment in Schools	1	—	—	—	—	—	1		—	2
Nationalism-Literacy	6	—	1	—	1	—	—		—	8
Moving out of Darkness (Andhar), Ignorance (Adani)-Literacy	13	7	1	2	6	—	—	1	—	30
Widening Horizons of Knowledge (Vidya, Dnyan)-Literacy	4	—	—	1	3	—	4	—	—	12
Inspiration for Literacy (Akshar)	10	7	2	—	1	1	1	1	—	23
Total	48	14	10	7	13	4	10	4	4	114

Source: District Literacy Campaign Committee, Nanded, *Sakshar Sarita*, 1992.

catalyst and local point for literacy resource persons and educational institutions. A talking point of this literacy campaign, as was pointed out by the local organisers, was the regularity in a class conducted for the prostitutes of the town. Escaping the perceived double stigma of illiteracy and the profession with the possibility of training for self-employment during the post-literacy phase, provided the motivation to these learners.

Personalised Communication through Monitoring

It appears that a disciplined, organised monitoring of a functionalised teaching-learning can contribute more to regular learning, especially in urban areas, than the spontaneity of cultural mobilisation which creates a consensus on literacy, a consolidation of social resources for organising the campaign and an initial motivation for literacy learning. Systematic monitoring and visits to literacy classes by officials and non-officials provide an element of personalised contact. There can be no substitute for personal contact in its capacity to sustain teaching-learning with adequate literacy outcomes. While functionality in terms of skills and organisation for employment generation provide a contextual meaning and direction to literacy, personal contact provides a human dimension.

The literacy campaign in the HUDCO community on the outskirts of Nanded city provides a good illustration of the effectiveness of systematic organisation and monitoring of a functionalised literacy programme, with regular personal contact, in a relatively homogeneous industrial working class community. Household members of most of the 903 learners, about 95 per cent of whom are women, are employed in the nearby CIDCO industrial estate. Several environment-building activities, like the initial kalajatha, haldi-kumkum celebrations, rangoli competitions and Akshar Ganapathi were held from May 1, 1992. But when the 84 classes were initiated from August 15, 1992 till the time of our visit on November 8, 1992, what has sustained relatively uninterrupted learning has been the efficient monitoring of classes by the school teachers from the five primary schools and the one high school and by resource persons, master trainers and full time volunteers. This has been reinforced by the reported high motivation of women learners who view literacy as an improvement in status, bringing them on par with their literate counterparts in the community. A self-employment programme among the women has also been initiated.

Shemboli village in Bhokar taluka of Nanded district, visited by us with the collector on November 9, 1992, is an illustration of how direct contact with a higher government official can sometimes spark off the literacy campaign. The 650 illiterates in this village headed by their sarpanch had been consistently resisting the campaign on the questionable ground that the primary school should be given prior attention and the collector should himself visit the village to hear its problems. On the day of our visit a rousing discussion between the collector and the villagers helped to convince the latter of the importance of literacy. A decision was collectively taken to start the programme the following day. All necessary arrangements in terms of material and training had already been made. The villagers were apparently only waiting for a sign of direct concern from the administrative authorities.

Cultural Homogeneity and Ethnic/Class Identity

One has come across several instances where cultural homogeneity, especially among the oppressed, results in an efficiently conducted teaching-learning process. This has been seen in the dalit hamlets of villages in Sindhudurg and Ratnagiri districts during their campaigns. Inspired by the educational processes set in motion by Phule and Ambedkar, the dalits in these padas have utilised their local cultural resources for environment-building and have harnessed the available educational resources for training and instruction. The literacy achievements of these learners have generally been high.

Kuntur Tanda of Biloli taluka in Nanded district provides another example of the mobilisation of local cultural resources by a cultural group in the banjara (lamani) community. On the day of our visit on November 10, 1992, there was a power failure in the village. The break in the electricity supply resulted in the disruption of the nine classes for the 88 learners in the village. It did not dampen the enthusiasm of the cultural group. A spontaneous programme was held for the assembled villagers in the moonlight. Several songs were sung with traditional musical instruments in the Lamani dialect and utilising the tribal folk media. Linguistic and ethnic identity was thus maintained through folk cultural expressions, while integration into the surrounding Marathi environment was found through the medium of literacy instruction. The kalapathak from this village had travelled far and wide spreading the message of literacy among the Banjara community in their language. The classes in this village were reported to be regular, despite the agricultural season. Literacy and education were seen by the Banjara community as providing one of the few avenues for socio-economic mobility. The community has already achieved a limited degree of political representation in Maharashtra politics. The late night programme was brought to an end with a community folk song sung by some of the assembled women. The appropriation of social space for women in the act of singing cannot be underestimated.

In contrast with the poverty yet cultural homogeneity of Kuntur Tanda is the case of the relatively prosperous Nagtirthwadi village in Udgir taluka of Latur district, inhabited exclusively by the Reddy Yellam caste of rich peasants. It was a period of gram panchayat elections when we visited the village on November 4, 1992. While the election fever in the surrounding villages affected the literacy campaign, in this village the sarpanch was to be elected unopposed. According to him, his leadership during the literacy campaign had brought about this unanimity. Instruction had started in July 1992. The 44 learners in this village of a population of about 5,000 had been organised into 5 effectively conducted classes under trained volunteer instructors. The learners had made appreciable progress in this village which had to its credit a total enrolment of children in the school-going age; an exception in the district.

IV

Some Conclusions on Local Communication Systems: Context-Process-Impact

Some tentative conclusions may be drawn from the foregoing descriptions of cultural communication in field situations. The kalajathas and their kalapathaks have clearly been the fulcrum of environment building activities. They have played a catalytic role in creating a climate for literacy within a larger mobilisation process. They have drawn on the traditionally existing folk culture and from diverse local contexts. These resources have been not only in terms of the media for communication, but also the human resources within the folk traditions of the people, i e, kirtankars, shahirs, bhajan mandalis, tamasha mandalis, gondhalis, families from tribal and dalit communities, who were engaged in the performing arts. The literacy campaign, as a result of its people's movement approach, has enabled these persons and their folk media to acquire a wider regional legitimacy and has provided them a direction through messages of relevant developmental communication. Persons, processes and forms within traditional folk culture have received a fresh breath of life and have acquired relevance in changed contexts. In districts where a participatory approach to the formulation and selection of communication messages has been adopted to a greater extent, accompanied by the participation of voluntary organisations—i e, Nanded district—there has been a veritable groundswell of the latent creativity among the people.

The visit of a kalapathak to a village is generally an entry into a structured

socio-economic context. The pre-visit planning and the entire day's programme—consisting of the prabhat pheri, meetings and discussions with local activists, learners and instructors prior to the evening's cultural programme—helps to create a consensus among the different classes, castes and political formations within the village on the need/demand for literacy. Individual motivation moves towards organisational consolidation and a collective movement for local campaign implementation. However, the socio-economic configurations remain otherwise relatively undisturbed. These hierarchies often get reproduced in the contextual setting and spatial allocation during the performance of the kalapathak. Informal two-way communication consequently gets structured and inhibited.

The programme is generally conceived as several items, woven into a coherent whole for effective impact—scripts within a total script. It attracts a large audience of a cross-section of villagers and is able to hold them in rapt attention. The informal style, the direct and emotional appeal, the mix of humour and serious messages and, most importantly, the use of folk media that draws on the familiar culture of orality among the people and urges them to make the transition to literacy through learning, help to create a significant immediate impact. Motivation for learning and instruction, a greater resolve among the literacy activists and their local organisation, flow from this generalised impact. The cultural performance provides a forum for inter-communal communication at the level of folk traditions. In addition, it provides one more occasion for dialogue and planning for the campaign.

As Wang and Dissanayake (1984:29) point out, an indigenous communication system is one sub-system contextualised within a larger cultural system. It is a living tradition that undergoes change while maintaining some degree of continuity. The use of folk media in literacy campaigns has provided them a new content and purpose within relatively traditional forms. The contexts of performance undergo some degree of transformation, i e, devotional music is brought from the temple and the home to the streets and the class-rooms.

The social dynamics and communication processes of the literacy phase of the campaign might be conceptualised as taking place at two levels. The macro-level mobilisation of human, material and institutional resources consists of the different components of the campaign like planning meetings and conventions; the identification of individual's organisations and institutions; the environment building activities; the creation of organisational structures for implementation at various levels of the district; the survey; the preparation and acquisition of teaching material and the training. The kalapathak as part of the process of environment building plays a central role within this larger framework of mobilisation. The relatively phased structure and flexible dynamics of the macro process of mobilisation needs to be distinguished from the comparatively continuous and disciplined micro-level process of teaching-learning that takes place in scattered classes or on a one-to-one basis, the monitoring of these micro phenomena and their evaluation. The immediate motivational impact of the use of folk media in environment building does not get mechanically transferred into sustained teaching-learning. In fact, even the social awareness messages communicated through the former need to be reinforced by the pedagogical process in the literacy classes so that they might have a more lasting effect on consciousness. The inspiration derived from the culture of orality needs to be elaborated through the appropriate use of the literacy texts in the classes.

Apart from the very fact of the above mentioned two-level communication processes that have relatively distinct rhythms of activity, there are other factors that intervene between cultural mobilisation and sustained motivation for literacy among the adults. Learners approach the instructional process with a configuration of grounded priorities that emerge from the annual cycle of everyday life. The decision to invest time and energy in literacy is met with the counter claims of high points of the agricultural cycle, the seasons of migration for employment, festivals, school examinations and vacations, elections and communal disturbances. Some of these objective factors might be beyond the capacity of campaign organisation to control. However, one finds that sustained teaching-learning and regular attendance depends to a large extent on subjective organisational factors such as systematic monitoring, personalised contact and functionalised instruction. These inputs into the pedagogical process can be reinforced by short bursts of cultural mobilisation during phases of stagnation.

Urban-rural contextual factors also result in a differential capacity for sustained learning. Urban centres while rich in human and institutional resources, ironically pose several problems to their co-ordinated mobilisation for literacy because of their very functional institutionalisation. Urbanisation results in conflicting communication messages that dilute the impact of attempts to create a climate for adult literacy. The claims on time and energy and the comparatively greater opportunities for employment in the urban informal sector conflict with the need for regular attendance in literacy classes. The social space for 'leisure', as defined earlier, is crowded out.

One has observed that cultural homogeneity with a given unit of mobilisation—i e, tribal or dalit villages/hamlets, the social characteristics of Sindhudurg district—lends itself to the sustained impact of communication within the environment building and the pedagogical process. Content and messages blend together in relative harmony. In addition, there is greater facility in monitoring a campaign with an instructional process that is conducted in a single language.

V

Sustaining Learning through Hegemonic Organisation

What are the larger implications of the campaign style of cultural mobilisation for literacy in terms of its capacity to create a 'learning society' that would not only sustain and enhance literacy (access to symbolic systems) but also ensure more equitous economic entitlements? If literacy is not to remain merely symbolical, campaigns would have to confront this question. And since the campaign process gives rise to and is also part of the literacy product, the organisational aspect of campaign mobilisation should throw light on the above mentioned question. A comparison of the social dynamics set in motion by voluntary 'action groups' and by the literacy campaigns helps one to understand the potential and limitations of the latter.

There are major differences in the mobilisation processes and organisational forms that have been used by some social action groups—i e, non-party political groups—and the literacy campaigns. Both engage in cultural and symbolic communication towards social change but through contrasting approaches. The former directly addresses themselves to inegalitarian socio-economic structures relatively close to the time of their entry in a given region. Organisational consolidation and the process of struggle for change are based on the cultural traditions of the concerned people. Education in its deeper meaning of learning to think critically and creatively is linked to the political act of social transformation for an alternate and more egalitarian development. The struggle for social transformation is itself seen as an informal process of education in widening circles of social awareness of one's interests, of the need for symbolic communication and of a felt need for the letters. The recourse to literacy and to its symbolic systems is based on increasing felt-needs in the process of struggle. The social dynamics of this process may be seen in terms of expanding circles of symbolic communication based on experience, struggle and consciousness within everyday life: economic interests—organisation—a struggle that is contextualised in culture and growing consciousness—literacy. Symbolic communication thus becomes organic to and

contextualised within socio-economic existence.

Literacy campaigns, in contrast, have generally a reverse dynamic. Social mobilisation makes its entry into a given regional unit—district, taluka or village—taking the socio-economic structures of those contexts as relatively given and, atleast initially, leaving them undisturbed.[6] While functionality, social awareness and organisation for change are part of the stated objectives, the programme and action across class/gender formations that emerge is [illegible] at literacy. Literacy, atleast on the surface, does lend itself to such a simple consensus at the initial stage. Action for change is postponed and the organisational consolidation is for literacy. In a situation where both mass organisations for and social awareness of the need and possibilities of change are generally absent in rural areas, a 'breathing space' is thus created for the possibility of mass literacy. The recourse to folk culture in creating a climate for facilitating the transition from orality to literacy, thus becomes 'instrumental'. Symbolic communication at the levels of culture and literacy instruction in effect become instrumental to organised action for social change, if indeed the latter is the final objective. However, a significant difference from the earlier National-Adult-Education-Programme approach is the mass-level social mobilisation and the consolidation of various social resources—government departments, educational institutions, the organised/unorganised people—for literacy. Apart from the gains in terms of numbers of literate that are achieved through social mobilisation, the organisational structures that emerge at various levels serve to ground literacy in 'experience'. Literacy would otherwise have only a symbolic 'expressive' value, parallel to everyday life. A fertile climate is created for the possibilities of hegemonic organisation.

Another difference between the TLC organisational structures and those of the social action groups may be noted. The former consist of disparate individuals, motivated and mobilised as part of organised collectivities for literacy. The individuals are drawn from diverse class, caste and political formations and from distinct social resources, despite their, at times, real conflicting interests. This fragile organisation is feasible given that the central message of a cultural transformation for literacy is—at least initially and on the surface—non-threatening and non-polarising. The social formations of the action groups, in contrast, are comprised of organised individuals within a class/caste collectivity and as part of a programme of consciousness and action for exercising control over economic and ecological resources.

Field experiences suggest that literacy campaigns do have a major hegemonic potential. The mass approach and the recourse to popular culture in mobilisation and organisation for literacy have resulted in several individuals growing closer to the needs of oppressed classes and castes. These have emerged from sections that one might consider in Gramscian terms as 'traditional intellectuals'—government officials, school teachers, the professional middle class and educated unemployed youth. Literate persons whose culture is organically steeped in that of the people have shouldered the task of cultural mobilisation—shahirs, kirtankars, bhajan mandalis and several others who were 'traditionally' engaged in popular performing arts. These individuals have a potential of serving as 'organic intellectuals' of the people, playing a role that 'mediates' between the cultures of orality and literacy and 'directs' the transition from access to communication symbols to struggle for economic entitlements. Some of these individuals have been incorporated as preraks of the post-literacy centres during the post-literacy phase. The relative success of the campaign approach has also given rise to a vast section of neo-literates in several districts.

There is a need for an organisational form that would sustain and consolidate these possibilities for an alternate hegemony during the post-literacy phase. Such organisations cannot emerge spontaneously. The movement from orality to literacy gains existential meaning only when the process is carried forward towards a sustainable learning society for social change.[8] It appears clear that extensive literacy can be achieved by the relatively intrusive process of the literacy campaign, penetrating the everyday life of the disadvantaged from without, and attenuated by the utilisation of popular cultural forms for social mobilisation. But literacy itself can only be sustained and rendered meaningful by alternate hegemonic organisational forms that are close to and that advance everyday life through a change in the structures of oppression.

Appendix

A Note on Some of the Folk Cultural Forms

The descriptions are drawn from the text: *Sakshar Sarita*, District Literacy Campaign Committee, Nanded, 1992. Parmar (1975) and Ranade (1985) also describe some of these folk media. The compositions in *Sakshar Sarita* were selected out of the very large number that were received. The final selection was made by the Committee for Environment Building, Nanded, taking into consideration factors relating to tune, simplicity of language, effectiveness and popularity. Singers, musicians and language experts were consulted.

The Geet is a popular form generally used in rural gatherings. It has found a place in films and theatre. It is often used on festival occasions. Traditional as well as modern instruments could be utilised by a solo or group of singers.

Abhang is a devotional form used in praise of the deity. It is a form which is closely connected to the bhakti tradition in Maharashtra and has been used by the saint poets such as Dnyaneshwar, Tukaram, Namdev, Chokhamela, Janabai, Muktabai. The form appeals to a cross-section of persons from the illiterate to the highly educated. The instruments that are generally used to support the singing of the abhang are tal, tabla, harmonium and mridang.

The bharud and gondhal are also devotional forms that have deep roots in the culture of the people. They have been used by the saint poets who have drawn on the everyday lives of rural people. It has been traditionally used to generate social awareness. The gondhal is more particularly a form to express devotion to the clan deity. The bhajan mandalies use the bharud form to the accompaniment of tal, pakhavaz and veena.

The bhajan is a popular form used to express devotion to the deity. Its history can be traced to the 12th century. A number of villages in Maharashtra have their bhajan mandalies which are active during festival occasions. Bhajans have been utilised to inculcate moral values. The bhajan mandalies are generally comprised of 10 persons. The songs are accompanied by the mridang, tabla, tal, chiplya, veena, harmonium and khanjia.

The powada is a powerful form within folk culture and has been used to inspire courage and to sing the praises of the brave. Its origins can be traced to the 17th century. Shahirs, the creators of powada, have made major contributions to Marathi literature. The form arose during the Peshwa period. It has been utilised in mobilisation efforts to spread social movements; examples are the Goa Liberation Movement (1955) and the Samyukta Maharashtra Movement (1956-62). The harmonium, tuntune, tal, dholki, kadi are some of the instruments used during the singing of the powada.

The lavani is a popular form in rural Maharashtra conveying romantic sentiments. It has made inroads into films and theatres. Tamasha, the popular theatre in Maharashtra, is the major context for this musical expression.

Notes

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tion and the Nehru Memorial Museum and Library, New Delhi, January 28-29, 1993. I am grateful to R P Mammen, P Nanal and V Kulkarni for assistance in the field and to the latter two for their comments on the folk forms.]

1 The National Literacy Mission (NLM) was launched on May 5, 1988 in response to the massive problem of illiteracy in the country. By December 1992, it was reported that 178 literacy campaigns had been sanctioned in parts of or in entire districts within the country. Projects in 33 districts had been approved for post-literacy and continuing education. It was estimated that the literacy campaigns had covered 60 million adult learners with about 6 million voluntary instructors involved in these campaigns. It is proposed to bring 350 districts under literacy campaigns by the end of the Eighth Plan (Literacy Mission, December 1992). The campaign approach might be briefly described as a concerted attempt involving various social resources with a high degree of voluntary commitment for the eradication of illiteracy in a defined region and a limited period of time.

2 One has been involved with the evaluation of some of the literacy campaigns in Maharashtra. Field visits have been made to Sindhudurg and Wardha districts during the last phase of these literacy campaigns, during the months of June-September 1991 and December 1991-March 1992, respectively. One has also had the opportunity to visit the Ratnagiri campaign for brief spells during the period March-May 1992 and again in February 1993. More recently, during the month of November 1992 one made an extended field trip to Latur and Nanded districts during their mobilisation and teaching-learning phases, followed by a visit in March 1993. The paper draws primarily on observations and discussions during the last field trips.

3 It needs to be recognised that whereas literacy and orality are two aspects of linguistic performance—expressions of linguistic competence—they are grounded in distinct cultural contexts. For a discussion of the cognitive, linguistic and expressive implications of this cultural divide see P P Sah (1980), B B Mohanty (1990). The transition from orality to literacy for the adult learner is a traumatic experience. The process is made even more arduous by the fact that access to the symbolic system within literacy does not necessarily mean the acquisition of greater economic entitlements that have been historically legitimised around literacy.

4 The concept of 'hegemonies' in contention and the conditions for the possibility of alternate hegemonic organisations with their 'organic' intellectuals is drawn from a reading of Antonio Gramsci (1971). For a theoretical and methodological discussion of the use of Gramscian concepts in the study of a tribal movement in Thane district, Maharashtra, see D Saldanha (1988).

5 One might refer to D Saldanha (1989) for a discussion of the educational implications of the transformative actions of some non-party political groups in Thane district, Maharashtra. A comparison of the approaches to literacy of these groups and that of the literacy campaigns helps to draw conclusions as regards the wider implications of a mass approach to literacy.

6 While the literacy campaign makes its entry into a district and acquires a participatory consensus at various levels within it in a manner that leaves the initial structures of inequality relatively untouched, it needs to be pointed out that the initial inspiration for a mass approach emerged from the voluntary, non-government experiences of the People's Science Movements (PSM) and in particular that of the Kerala Sastra Sahitya Parishad (KSSP). The All India Jatha of May 1985 in connection with the Bhopal tragedy, the Jatha of October-November 1987 with the involvement of 26 organisations, and that of October-November 1990 covering 304 districts, have been landmarks on the way towards creating a national consensus and a mass base for literacy. The campaign approach, at the level of national communication systems and policy formulation, may thus be seen as having a grassroots basis of organised social transformation—social action that was wider than and inclusive of literacy and education. The concept of a movement for literacy then acquired a legitimacy at the Centre, primarily among administrative and academic circles and to a limited degree among the political parties. Field experience in Ernakulam, Kottayam and the Kerala state served to confirm the feasibility of this approach, so that it acquired selective legitimacy in scattered districts across the country. However, it needs to be recognised that the TLC mobilisations within districts are primarily initiated by the middle class professional elites, directed at the eradication of illiteracy and leaving the structures of oppression initially undisturbed.

7 There are instances where the messages of the environment building campaign and in the literacy text overtake the slow pace of literacy learning. The 'word' is translated into collective action to transform the political economy of contexts, especially where there has been some history of organised struggle. An illustration is the anti-arrack struggles in Nellore and Chittoor districts of Andhra Pradesh [see Ilaiah 1992; Balagopal 1992 and Akash 1993]. The state has not hesitated to clamp down when the social transformative potential of literacy campaigns or of innovative educational programmes is taken to its logical conclusion, as for example in Kerala after its literacy phase, Pudukottai in Tamil Nadu, in Pondicherry and the educational programmes of Eklavya in Madhya Pradesh. (Refer to the EPW editorial of November 21, 1992 and Krishna Kumar 1992:2581).

8 As P C Joshi (1983:2172) points out "planning for access to culture for the masses involves planning for their access to the fruits of material production. There is thus an indissoluble bond between economic planning and cultural planning."

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Stabilisation with Structural Reforms
Can the Two be Pursued Simultaneously?

Nirupam Bajpai

Developing countries are undertaking structural reforms in the midst of macro-economic instability. While most of the discussions on economic reform see growth as more or less an assured product of appropriate stabilisation and reform policies, this paper argues that simultaneous attempts toward stabilisation and economic liberalisation may lead neither to macro stability nor to the restoration of sustainable growth. In fact, the objective of stabilisation is in conflict with the objective of re-igniting growth in the economy.

Different economies with different institutional relationships and varying lines of causality in their economic systems require different approaches to stabilisation and structural reform. A case-by-case approach is required with no prior bias in favour of liberalisation.

I
Introduction

The current economic policy changes being introduced in India are a part of the so-called reform programme. This is the stabilisation-cum-structural adjustment package, funding for which is being provided by the International Monetary Fund (IMF) and the World Bank (WB). Typically it began with devaluation of the rupee in July 1991 along with measures to reduce the country's fiscal deficit, for instance, public sector disinvestment, reduction in fertiliser subsidies, and removal of export subsidies, etc. Subsequently, a host of structural reform measures have been introduced as part of this ongoing exercise. However, we are not going into the details of India's economic reform programme in this paper.

Over the years a broad consensus seems to have emerged regarding the applicability and effectiveness of this reform programme. The programme, as it was envisaged, was supposed to lay primary emphasis on stabilisation in the early stages of the process with fiscal restraint and currency devaluation taking the leading role. Having stabilised the macro-economic environment, the emphasis was then supposed to shift to structural adjustment encompassing various micro-economic and institutional reforms in order to remove inefficiencies and to ensure an adequate growth rate.

The structural adjustment programme typically requires countries to (a) liberalise trade (remove import quotas, cut tariffs, and improve export incentives and institutional support); (b) effect resource mobilisation (reform budget or taxes, reform interest rate policy, strengthen management of external borrowing and improve financial performance by public enterprises); (c) ensure efficient use of resources (revise agricultural prices, revise industry incentive system, revise energy prices, reduce or eliminate agricultural input subsidies and dissolve or reduce powers of state marketing boards); and (d) undertake institutional reform (strengthen capacity to formulate and implement public investment programmes, increase efficiency of public enterprises and improve support for industry and subsectors) [Mosley 1987].

Simply put, the Bank and the Fund want that prices paid to agricultural producers, especially exporters, must be raised to give them an incentive to produce for the market, the financial performance of public enterprises must be improved by redirecting resources from the creation of new capacity to the maintenance of existing capital or by outright privatisation, and trade policy must become more outward-oriented by the removal of trade and exchange controls and by the reduction of effective protection against imports. The common thread running through this package is that the degree of state control over the economy must be reduced.

While controversy continues over certain specific aspects of this reform programme—for instance, over the relative importance of trade liberalisation, the urgency of financial reforms or the distributional aspects—in its broad contours, the programme appears to be widely acceptable. It clearly represents the prevailing orthodoxy in the adjustment lending of the Fund and the Bank. While the Fund has since its inception been in the business of policy reform, the Bank's Structural Adjustment Loans (SALs) were introduced in the early 1980s. Disbursement of funds under SAL programmes is always conditional on the elaboration of an appropriate set of specific actions that the recipient government will take either to increase or save foreign exchange earnings.

The plan of this paper is as follows: while Section II analyses the support that the current adjustment programmes draw from economic theory, Section III argues for stabilisation to precede structural reforms. Section IV highlights some of the conflicting objectives in such programmes. In Section V through VII we attempt to analyse the probable effects of devaluation and exchange rate policy, trade liberalisation and financial liberalisation. Concluding remarks are presented in Section VIII.

II
Lacking Theoretical Support

While structural adjustment is a multifaceted process, the current practice at the Bank and the Fund emphasises the role of economic liberalisation, or in other words what is often termed as 'market-oriented reform'. The case for economic liberalisation is based on the argument that allocative efficiency can be improved by lifting controls in markets for commodities, credit and foreign exchange. The removal of price distortions is expected to enhance efficiency by calling forth an appropriate behavioural response. By contrast, we argue that this orthodox 'neoclassical' or 'monetarist' approach with particular emphasis on economic liberalisation may not be the right approach. Removing distortions should produce a once-and-for-all gain in the efficiency of the economy because of a reallocation of resources to the sectors where they are most productive at world prices [Krugman 1989]. Such a reallocation can explain only a one-time gain, however, not a continuing process of growth. Also, it cannot explain why the efficiency of resource use within sectors should rise.

Hjalmarsson (1991) and UNCTAD (1991) show how the irrelevance of liberalisation to growth can be dissected in terms of two distinct notions of 'allocative' and 'productive' efficiency. The latter is by no means assured by putting the former into place. There are numerous other factors which affect productive efficiency, for example, market and capital stock structures, resource endowments as defined by changing technology and tastes, the size of the economy, access to geopolitically determined capital inflows and penetrable markets, etc.

It follows from above, therefore, that the increases in GNP can be registered while the one-time reallocation of productive factors lasts and hence it may be incorrect to presume that liberalisation can raise the rate of growth over the medium to the long run. However, one comes across overwhelming literature favouring across-the-board liberalisation to attain and more importantly sustain higher levels of economic growth. Unlike what much current practice might lead us to believe, economic theory is generally silent about the effect of liberalisation on the rate of growth of an economy. In this regard, it is significant to distinguish between (a) an increase of, say, 2 per cent in GNP every year, and (b) a permanent increase of 2 per cent in the growth rate of GNP. The economic theory underlying the case for liberalisation makes a claim only regarding the first scenario. The practical difference between the two scenarios can be observed by noting that an economy with an underlying growth rate of 4 per cent a year will have a GNP under scenario (b) that is almost one-fifth larger at the end of a decade than under scenario (a) [Lucas 1989]. While no one would deny that inefficiencies need to be removed, the commonly known ones are level effects, but not growth effects.[1] Since there is lack of theoretical support to establish the link between economic liberalisation and the attainment of higher growth (over the medium to the long run) the linkages between the instruments and the targets in the currently prescribed reform programmes seems to be rather weak.

III
Stabilisation to Precede Structural Reforms

Although both the Fund and the Bank have been emphasising that macro stability should be attained before structural reform measures are undertaken, in practice, however, both stabilisation and structural reforms are found to be going on simultaneously. Experiences of a number of countries with Fund-supported programmes has shown that attaining macroeconomic stabilisation on monetarist principles in the short run is no longer feasible. This has been particularly so because getting the public sector budget on a sustainable course has proved to be extremely difficult. Table 1 provides an idea as to how the stabilisation programmes have fared. For instance, in sub-Saharan Africa, the budget deficit/GDP ratio increased from being 6.5 per cent before implementing the programme to 7.5 per cent after the programme. Also, it increased in the highly indebted countries from 4.2 per cent to 7 per cent.

Stabilisation as per the Fund's approach neglects crucial macro-economic factors, such as, the linked foreign exchange and fiscal constraints, financial fragility, and the dynamics of the inflation process. Current account deficits have been reduced by introducing deep cuts in domestic investment, however, this is neither an indicator of macro stability, nor is it a recipe. The investment/GDP ratio for sub-Saharan Africa fell from 20.6 per cent before the programme to 17.1 per cent after, and similarly in the highly indebted countries it fell from 23.1 per cent to 17.9 per cent. Implementing structural reforms in the backdrop of macro-economic instability is likely to aggravate the problem further and make it more difficult for the concerned governments to finance their deficits in a non-inflationary manner [Bajpai 1992].

The conventional benefits of economic liberalisation become muted, if not completely offset, under conditions of macro instability characterised by high and variable inflation on the one hand, and fiscal and balance of payments crises on the other. Trade reform, for example, is expected to work by reducing the distortions in the structure of relative prices and by directing resources to sectors that can make the best use of them, however, macro-economic instability interferes with both. High and variable inflation serves to confound price signals by making it difficult to disentangle relative price changes from movements in the price level. Also, the slowdown in the domestic activity renders structural change more painful by exacerbating transitional unemployment. From the sustainability point of view, trade liberalisation may lead to greater macro instability. With the removal of import quotas and significant cuts in tariff rates, imports would rise considerably at a time when stabilisation requires a reduction in the demand for imports.

IV
Conflicting Objectives

The multiplicity of objectives in the structural adjustment programmes have frequently led to conflicts among some of them. Besides, explicit trade-offs between conflicting objectives and the degree of complementarity between the others is not made clear [Bajpai 1990]. For instance, some of the conflicting objectives are: (a) trade liberalisation vs reduction in BoP deficit/reduction in budget deficit, (b) privatisation vs liberalisation of interest rates/increase in tax revenue, (c) decreasing or eliminating subsidies vs improving income distribution, (d) devaluation vs reduction in inflation and (e) devaluation vs output expansion.

Trade liberalisation has been a significant part of a number of SAL operations.[2] In such cases the Bank has asked for the elimination of quantitative restrictions (QRs) and cuts in tariff rates. Trade liberalisation is in conflict with the objective of reducing balance of payments deficit and the budget deficit. Tariff reductions would result in reducing government revenue and simultaneously increasing the import bill. This, in turn, would naturally increase both the balance of payments deficit and the budget deficit, hence the conflict. Similarly, the objective of privatisation is in conflict with the objectives of liberalisation of interest rates and increase in tax revenue. The two latter objectives curb private investment and are therefore subject to an inherent conflict. Reforms in the interest rate policy can reduce the rate of investment, particularly in the short run, and similarly an increase in tax revenue can be instrumental in reducing the funds for investment, thereby defeating the objective of privatisation.

A frequently sought for policy measures in return for SAL finance is the reduction or in some cases the elimination of food or some agricultural input subsidies. However, reducing or eliminating such subsidies has a direct bearing on the prevailing income distribution. The abolition of food and fertiliser subsidies leads to an increase in the prices and hence brings down the real income. As a consequence of this policy measure, the income distribution becomes even worse than what it had been in the pre-programme period. There may well be production limitations to subsidy programmes, unless foreign exchange is readily available or the state intervenes actively to shift the food supply curve out by providing inputs to agriculture. Food subsidy schemes, on the other hand are politically attractive, and difficult to dismantle once in place. Furthermore, another problem coming from the food markets is their potential effect on inflation. With food constituting a major proportion of the national consumption basket, agricultural price increases will reduce the real wage and set off inflation in non-agricultural products.

Finally, devaluation of the national currency seems to be in conflict with the objective of output expansion. Bruno (1979), Krugman (1989) and Taylor (1978) suggest that devaluation in fact is contractionary. The former, for example, discusses a number of supply side channels through which devaluation has a negative impact on output. Since most developing countries have to import capital goods on a large scale and where most domestic firms have to rely on banks for their capital requirements (capital availability being subject to rationing) a sudden devaluation

raises both their import costs and the need for working capital. In these circumstances, however, the entrepreneur has no choice but to approach the informal loan market. With a steep rise in the demand for funds, the rate of interest rises considerably in the informal loan market. Hence, higher import costs and capital costs force the firms to cut on their production. The negative impact from the higher cost of imported inputs will weigh against the production stimulus from higher relative prices for domestically traded goods. In the event of some delay in realising the positive effects of devaluation, the negative impact of higher cost imports on aggregate supply may dominate in the short run.

V
Devaluation and Exchange Rate Policy

The Fund-supported adjustment programmes bear testimony to the fact that devaluation is increasingly being used as a stabilisation tool. The 'orthodox' view has maintained that devaluation plays a positive and indeed an important role in balance of payments stabilisation [Dornbusch 1988]. This is achieved through the expenditure switching effects of devaluation and the increased production of tradables. However, the role of exchange rate policy in economic adjustment has become the subject of considerable debate over the years. For instance, while the Fund/Bank view is that devaluation is expansionary and essential to maintain a competitive exchange rate, the 'Structuralist' school is of the opinion that it is contractionary. Intermediate import costs go up due to devaluation in the short run and consequently final goods through mark-ups. Real wages are cut due to higher prices and the country's purchasing power is reduced initially as import payments exceed export earnings.

The co-ordination of devaluation with other policies is also problematic in the context of both stabilisation and adjustment. For anti-inflation purposes, the exchange rate may be frozen as a nominal anchor. Of course, if inflation continues there will be real currency appreciation, and consequently imports will rise and export growth decline thereby upsetting the real side of the economy as was the case in numerous failed stabilisation attempts in Latin America over the past two decades. With regard to fiscal policy, if devaluation is expansionary then it can usefully be combined with austerity since the exchange rate change improves the trade balance, while fiscal policy helps to avoid an inflationary excess demand situation. However, in the event of devaluation being contractionary, which is most often the case, combining it with fiscal austerity may lead to disastrous results.

Furthermore, devaluation by itself cannot improve the trade performance. Getting rid of extreme price distortions appear to be a necessary condition for (or at least correlated with) greater tradability of domestic activities. However, mere price incentives are never sufficient for improvement in trade performance. A real exchange rate with a reasonable and stable value is an invaluable stimulant to net exports. Of course, it must be supplemented with directed trade promotion policies, such as, tax drawbacks, export subsidies, and cheap credit, etc, as well as state intervention to improve infrastructure and the overall economic environment. The real exchange rate could be held stable by following a crawling peg policy involving frequent nominal mini-devaluations to keep the exchange rate in line with the domestic price level.

While devaluation of an overvalued currency along with adequate fiscal management is important for macro-economic stability, under certain circumstances, where exchange rates that are too flexible can be destabilising. For instance, when non-traded goods are a net source of revenue for the public sector, real devaluations increase the budget deficit, and may on the contrary make it more difficult to attain macro-economic stability [Rodrik 1988]. Country studies in Taylor (1988) suggest that devaluation often leads to stagflation, i e, rising prices and falling output, particularly for a year or more after having devalued. By contrast, the Fund/Bank view that not only is devaluation expansionary, it may not even cause inflation if, for instance, 'rents' on import quotas make up a substantial share of income. The underlying argument being that raising import prices will just wipe out rents.

There exists a strong case for devaluation if the exchange rate is seriously overvalued. This is simply because it is extremely difficult to run an open economy if the exchange rate is badly out of line. While, if the real rate is approximately correct then a case can be made against devaluation more rapid than the current inflation rate because of the possible stagflationary effects. Lastly, the Fund seems to be convinced that by the time countries initiate a stabilisation programme there is overvaluation of exchange rates, and that currency devaluation is the first medicine to be prescribed. Contrary to this view, Taylor (1988) is of the view that exchange rate is not always out of line at the beginning of a stabilisation programme, and that a sudden devaluation might only aggravate the existing problem of macro instability in the economy.

VI
Trade Liberalisation

Trade policy reform is perhaps one of the most crucial components of the currently pursued adjustment strategy. It is argued that developing countries need to move away from a distorted trade policy regime towards a more neutral one. As part of the move toward a more liberal regime, a standard sequence of policies is recommended: first, there should be macro stability, thereafter, quotas should be converted into tariffs, and then the tariff schedule should be simplified to two or three rates in the 10-50 per cent range, sufficient to provide some protection and generate revenue.

The underlying argument for a liberal trade regime is that efficiency gains would be higher in such a regime, however, from the sustainability point of view, trade liberalisation may lead to greater macro instability. With the removal of import quotas and significant cuts in tariff rates, imports would rise considerably at a time when stabilisation requires a reduction in demand for imports. As mentioned in Section IV, the objective of trade liberali-

TABLE: MACRO-ECONOMIC INDICATORS IN 30 COUNTRIES WITH ADJUSTMENT PROGRAMMES

	Low Income	Middle Income	Sub-Saharan	Highly Indebted Countries	Manufacturing Exporters
Budget deficit/GDP					
Before	7.6	6.0	6.5	4.2	4.4
After	7.6	5.7	7.5	7.0	3.4
Current account/GDP					
Before	-9.0	-7.2	-9.4	-6.9	-5.0
After	-7.0	-4.5	-6.5	-3.7	-2.6
Investment/GDP					
Before	19.2	24.7	20.6	23.1	25.0
After	18.1	19.2	17.1	17.9	22.0

Note : 'Before' and 'After' refer to the three-year periods preceding and following the first World Bank adjustment loan received by the countries in question.

Source: World Bank Report on Adjustment Lending, 1988.
Refer to the original source for details of country groupings.

sation is in conflict with the objective of reducing balance of payments deficit. Although this conflict can be resolved by the exchange rate policy, it will only be at the risk of complicating the task of macro-economic management by increasing the number of objectives the exchange rate is called to fulfil.

Several authors including Dornbusch (1989), Krugman (1989) and Rodrik (1989) suggest that on account of both overborrowing and under-investment trade reforms lacking credibility may prove difficult to sustain. In such a scenario, the existing macro instability will come under further stress and in addition may even force the government (even those committed to economic reform) to abort the reform process. Also, the consequent delay in economic restructuring may block the emergence of new political alliances in favour of reform. Consequently, a stage is set for a potential multiplicity of equilibria. In one, the economy is stuck in a bad equilibrium with low investment and a high probability of reform collapse while in the other the outcome is more favourable. Depending on imponderables, however, the economy can end up in either one of the two, implying thereby that there may be a large degree of indeterminacy with respect to the success of reform.

Since the effect of import liberalisation on export performance can be weak and more importantly quite delayed the trade balance may be found to be worsening at a fast pace. By contrast, successful experience of South Korea and more recently Turkey have shown that policies focusing directly on exports, such as, import quotas and export subsidies may be a better alternative than trade liberalisation and currency devaluation. Of course, both South Korea and Turkey have liberalised their imports, but only after their exports had risen sufficiently. Also, Colombia and Kenya have proved to be successful exporters following similar policies.

Reform of incentives for production of exports and imports competing goods has been a significant feature of almost all the adjustment programmes of the Bank. On the export front, emphasis has, in addition to exchange rate policy, been placed on mainly two areas. These are: provision of financial incentives through tax rebates, subsidies on imported inputs to offset import controls, and preferential access to imports and credit. The other area is reform of administrative procedures and the establishment of better institutional support for exporters. While on the import substitution side, protection has been reduced to encourage efficiency and better exploitation of comparative advantage.

As mentioned in Section IV, the objective of liberalising the trade regime is in conflict with the objective of reducing the budget deficit. When trade reform is undertaken, it is important to keep an eye on the underlying fiscal crisis. Farhadian-Lorie and Katz (1988) argue that trade taxes constitute a large chunk of government revenue in developing countries, there is need to tread very carefully as far as cutting tariffs is concerned. In Mexico, for example, the trade reform reduced by half the share of trade taxes in the total government revenue and magnified the requisite fiscal retrenchment. Moreover, in Thailand and Morocco, tariff reductions were ultimately reversed, to a large extent, for budgetary reasons. Briefly put, the standard rules of a trade reform programme tend to neglect certain crucial aspects about the underlying economy. Typically, tariffs are ignored as an important source of revenue for the government and also the fact that there may be other domestic taxes in the system. Finally, the reform programme also ignores that imports and domestically produced goods in the same sector may not be perfect substitutes.

VII
Financial Liberalisation

Liberalisation of the financial sector is also one of the important components of the currently pursued adjustment strategy. According to the Fund/Bank view, various measures relating to financial liberalisation need to be undertaken after the economy has attained macro stability. However, as discussed earlier, since stabilisation has proved to be a long-drawn process, structural reforms irrespective of whether in the trade or financial sector are being undertaken in the midst of macro-economic instability.

The process of financial liberalisation, according to the Bank, comprises of three stages. The first stage involves reducing directed loan programmes, making adjustments in the interest rate structure and improving institution-building. The second stage includes measures, such as, establishing a broad range of deposits and lending rates, developing institutions and financial markets and permitting entry of foreign institutions into domestic financial markets. The third and final stage includes fully deregulating interest rates, eliminating directed loan programmes, removing controls on capital movements and allowing entry of foreign institutions without restraint.

While sequencing of these measures have their own significance, an important pre-condition to be met before implementation is the establishment of an environment of macro stability. The experience of Latin American countries has shown that removing interest rate ceilings, broadening the asset menu faced by the households and liberalising the capital account of the balance of payments have been implemented with little regard to their consequences for macro stability and sustainability. The case of Uruguay is a fine example in this regard. While financial liberalisation after 1974 created considerable financial deepening it also went hand-in-hand with a reduction in private savings. De Melo and Tybout (1985) suggest that this appears to have been due to the consumption binge stimulated by an appreciating real exchange rate. This is a case in point to show how the allocative effects of price reforms can be easily swamped by the consequences of macro disequilibrium.

Financial reforms involve changes in relative prices that need to be assessed and absorbed. When such reforms take place in an environment of general price instability it is indeed difficult to determine appropriate interest rates and to interpret them after the reform. The experiences of failed liberalisation in Argentina, Brazil, Colombia, Mexico and Uruguay suggest that without macro stability it is very difficult to achieve the level of interest rates that are well aligned with the real sector's productivity, no matter whether interest rates are market determined or regulated.

Undertaking financial reforms at a premature stage can lead to numerous problems. For instance, opening financial markets prematurely can result in volatile financial flows. Similarly, allowing free entry of financial institutions can lead to disintermediation of high-cost domestic banks. Moreover, undertaking measures relating to financial liberalisation implies giving up a large degree of autonomy in the domestic monetary and financial policy. Removing interest rate ceilings frequently puts the financial sector in a frenzy and ultimately causes it to crash, as Carlos Diaz aptly summarised the Latin American case, "good-bye financial repression, hello financial crash"—an experience which has since been repeated in other continents.

Mckinnon (1973 and 1982) and Dornbusch (1983 and 1984) have suggested that opening the capital account of the balance of payments will result in large destabilising capital flows in the short-run. If the capital account is opened when the domestic capital market is still repressed and interest rates are fixed at artificially low levels, massive capital outflows will take place. For this reason, most if not all the authors who have discussed this issue have indicated that the capital account should be opened only after the domestic capital market has been liberalised and domestic interest rates have been raised. Furthermore, capital account liberalisation raises the cost of financing the deficit as it reduces the private sectors' demand for

government liabilities In addition, when the real exchange rate is maintained on a downward path for reasons of remaining competitive, a premium is built into domestic real interest rates relative to foreign rates, thereby adversely affecting the domestic investment

VIII
Concluding Remarks

The experiences of different countries with similar stabilisation and reform programmes have shown a spectrum of results when applied in the historically diverse circumstances of the third world Perhaps, it would not be wrong to say that the outcomes of this orthodox approach have ranged from moderately successful to disastrous Broadly, a standard package of reform measures (with minor changes between one another) for different countries does not appear to be relevant in the context of developing countries Perhaps different economies with different institutional relationships and varying lines of causality in their economic systems require different approaches to stabilisation and structural reform Indeed, a case by case approach is warranted with no prior bias in favour of economic liberalisation

While most of the literature on stabilisation and structural reform in developing countries is of the view that economic growth is more or less an assured product of appropriate stabilisation and reform policies, there is no guarantee, however, that sustainable growth can be achieved Simultaneous attempts toward stabilisation and economic liberalisation may lead neither to macro stability nor to the restoration of sustainable growth In fact, the objective of stabilisation is in conflict with the objective of reigniting growth in the economy Adjustment is necessary, but not necessarily a sufficient condition for the resumption of growth, because asset holders may postpone repatriating flight capital, and investors may delay initiating projects

Since the currently implemented adjustment programmes emphasise the role of economic liberalisation, it is important to study the impact of liberalisation on growth Theoretically, however, there is little support behind this strategy A sample of differing models and views Krueger (1978), Lal and Rajpatirana (1987), Sachs (1987), Taylor (1988), Grossman and Helpman (1988) and Rodrik (1989) suggest arguments that can be constructed to satisfy both sets of possible prejudices but the empirical evidence is not as clear cut as it is sometimes presented Since reigniting growth is the main objective of the structural reform programme, and economic liberalisation being the main policy tool, one is left with a wide gap between the policy instruments and targets

The orthodox approach has a number of limitations and moreover does not seem to be relevant for the wide variety of conditions prevalent in the developing countries By contrast, countries have to devise their own strategies keeping in mind their socio economic set up Since structural adjustment is a multiple-objective and multiple instruments programme, there are conflicting objectives While some of these conflicts are transitory, most of them are not On the other hand, some of the instruments are called in to fulfil a number of objectives, for instance, the exchange rate policy is one such example In such cases, however, the task of macro economic management becomes much more complicated Briefly put, the currently pursued approach for attaining macro-economic stabilisation on monetarist principles in the short run and structural reform on neoclassical price fixing in the long run does not appear to hold much ground

Notes

[The author is grateful to Pronab Sen and Lance Taylor for their comments]

1 The level effects being the changes that raise or lower balanced growth paths without affecting their slope and the growth effects being changes in parameters that alter growth rates along balanced paths

2 Trade policy reform in selected developing countries, Bolivia Trade regime is overhauled in 1985, and quantitative restrictions (QRs) are eliminated Two basic tariff rates exist, 10 per cent for capital goods, and 17 per cent for others Brazil Major trade reform announced in March 1990 as part of the Collor stabilisation package. Almost all QRs are to be phased out and replaced by tariffs An average tariff rate of 20 per cent is sought by 1994 Jamaica QRs are eliminated and tariffs lowered to 20-30 per cent for most items Peru All QRs are eliminated, and the tariff system was simplified to include three rates (10 per cent, 25 per cent, and 50 per cent) only In March 1991, the top rate was reduced to 25 per cent Poland Foreign trade is de monopolised All QRs on imports and licensing on imports were abolished by beginning of 1990 Tariffs average 13 14 per cent

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Russia's Sinking Economy: External Dimensions

Nirmal Kumar Chandra

In these notes prepared on the eve of the referendum in April, the author surveys the data and also views on the external economic scenario for Russia.

Foreign trade and balance of payments are taken up in Section I. Illegal transactions and capital flight from Russia are described next. Section III is on mafias, corruption and the weakness of government regulation of the economy. The following section is about who and what have been responsible for the crisis and then, after a critical examination of the views expressed in the western media, the current debate in Russia on ways out of the crisis is summarised. The final section of the paper is devoted to the crucial oil sector.

JUST as no clairvoyant could foresee the manner and speed with which the political map of east Europe and the ex-USSR was transformed since 1989, no less puzzling and unpredictable has been the economic disintegration in these parts of the world.

Yeltsin was elected president of Russia in 1991 with a significant majority at the polls, while Russia was still part of the USSR with Gorbachev as the president. Shortly after the abortive coup of August 1991, the USSR ceased to exist, the Soviet Communist Party was banned, and Yeltsin took charge of the Russian government. Within a few months the plan for quick transition from a centralised socialist to a market-oriented private capitalist economy was elaborated by the Russians with the help of the IMF and the World Bank; the Harvard professor, Jeffery Sachs, who had earlier administered the 'shock therapy' in Poland, became adviser to the Russian government.

New policies implemented since the beginning of 1992 have had disastrous consequences to this date. Whether or not these will turn out to be no more than the Schumpeterian 'gale of creative destruction' heralding a bright new future, only history can tell. By late 1992, Yeltsin's popularity was sagging, many of his erstwhile colleagues like vice-president Rutskoi and head of parliament, Khasbulatov, turned into political foes, and parliament intervened on many issues. On February 21, 1993 the All-Russia Officers' Assembly met in Moscow, although defence minister Grachev had declared it illegitimate; the gathering unanimously voted for the latter's resignation, and qualified the Yeltsin government as an 'occupation regime' [Zhilin 1993]. In March there was an attempt to have Yeltsin impeached by parliament; though his opponents were in a majority, it was not large enough. The impasse was 'resolved' for the time being by both sides agreeing to a referendum (April 25) on Yeltsin, his economic reform, and early elections for both a new president and a new parliament.

Realising the plight of Yeltsin and his supporters, the western powers led by the US have thrown their full weight behind him; Japan, which was earlier demanding a return of the Kyril Island taken away by the USSR at the end of World War II as a precondition, was compelled to fall in line. The foreign ministers of the G-7 countries agreed in April 1993 on an unprecedented $43.4 bn aid package for Russia, including $4.1 bn as initial support, $10.1 bn for the full stabilisation programme, $14.2 for structural reform and essential imports, and $15 bn in debt relief; of the total, $13.1 bn are expected from the IMF, $4.5 bn from the World Bank, and $1.8 bn from the US. There is a $6 bn component to stabilise the rouble, i e, to bring down the Russian inflation rate (2,600 per cent in 1992) and arrest the fall in the exchange rate (from 70 rb/$ in February 1992 to 712 rb/$ in early April 1993). In 1992 the west had promised $24 bn in aid, but only $13 bn were actually disbursed due to the non-fulfilment of different conditionalities. For the current year, the first tranche will be disbursed after the west is convinced that Russia was adopting an 'appropriate adjustment' policy (presumably after Yeltsin wins the referendum of April 25), while the second tranche will be offered after inflation in Russia is 'contained'. The G-7 believes that the 1992 hyperinflation was triggered off by the Central Bank (controlled by Yeltsin's adversaries in Russian parliament) going on 'a credit spree', and hopes that after the referendum Yeltsin will gain control of the Bank (*The Economic Times*, April 16, 1993 and April 24, 1993). The pro-Yeltsin press in Russia is jubilant, hoping that western backing will help Yeltsin to win the mandate.

For the anti-Yeltsin camp the aid package is hardly a blessing. Rutskoi thinks that the Yeltsin regime is responsible for the economic mess resulting in acute misery for the people, a catastrophic decline in industrial production and investment, extremes of ill-gotten wealth accumulated in a few hands, and a massive flight of capital that has impoverished the country. Western aid to Russia with Yeltsin at the helm will bleed the country ever more.

The west has made it clear that 'everything would be open if Yeltsin were no longer in power'. An expert on Russia at the Deutsche Bank's Research Institute, A Gummich, has warned: "Domestically, it makes him [Yeltsin] look like the west's president. It could make him more enemies than friends." Gummich was sceptical that Russia was in a position to make proper use of the aid offer (*The Economic Times*, April 24, 1993).

Meanwhile, Yeltsin in Russia is campaigning in American style, hiring the services of the British advertising firm, Saatchi and Saatchi, and spending at least 100-150 mn rb or $125-190,000 on the campaign (against an average monthly salary of $30) contributed by his Russian business supporters. Nearly as much was raised by two American businessmen in Moscow who organised a $1000-a-plate dinner, in support of Yeltsin (*The Economic Times*, April 24, 1993).

In these notes prepared on the eve of the referendum, I survey the data and also views on the external economic scenario for Russia. Foreign trade and balance of payments are taken up in Section I. Next, I describe the illegal transactions and capital flight from Russia. Section III is on mafias, corruption and the weaknesses of government regulation over the economy. The following one is about who and what are responsible for the crisis; after a critical examination of the views expressed in the western media, the current debate in Russia on ways out of the crisis is summarised. The final section is devoted to the crucial oil sector.

I

How precarious is the external economic situation in Russia today? Consider first the trends in foreign trade. In Table 1 are given the data for 1980, 1985

and 1988-90 in the traditional *valyutnye* (foreign exchange) roubles (VR). Export reached a peak of 72.7 bn VR in 1985, well above the 1980 level. After 1985 there was a slow deterioration up to 1989, but then in 1990 there was a significant 12 per cent fall. Most marked was the contraction in the 1990 trade with the CMEA (Council for Mutual Economic Assistance) partners by 16 per cent against 1989, or by 19 per cent over 1985, owing to the political and economic turmoil in east Europe. Export to the developed capitalist countries also fell in 1990 by just 5 per cent against 1989, and by over 16 per cent against 1984; this was the consequence of disruption in Soviet supplies of oil and other raw materials. As for the two minor groups, 'other socialist countries' and 'developing countries', Soviet export remained steady at 12-13 bn VR during 1985-90. Among the individual commodities, export of crude oil declined sharply from a peak of 144 mn tons in 1988 to 109 mn tons in 1990.

As for import, Table 1 indicates a 55 per cent increase in the first half of the eighties, followed by a stagnation in the second half; the same is broadly true for import from the CMEA, the west, or the developing countries. The trade balance which was generally positive but small up to 1988, turned negative at 3.3 and 9.8 bn VR respectively in the last two years. With the western countries there was a consistent and rising deficit (in bn VR) from 0.5 in 1985 to 6.6 in 1990. Against developing countries, however, the USSR maintained a trade surplus.

In view of the bilateral arrangements of the USSR *vis-a-vis* the CMEA, the other socialist countries and many developing countries, the exact balance of payments picture is unclear. However, the Soviet trade surplus with the developing countries could not have been utilised to finance the deficit with the CMEA or the west; the surplus suggests that the USSR continued to provide machinery and/or arms to the third world on credit till 1990. Of course, the trade deficits with the west had to be financed by hard currency borrowings.

What was the hard currency or dollar equivalent of the trade flows? In 1989, the Soviet official exchange rate was 0.62 rb/$. Can the trade flows in Table 1 be converted into dollars at that rate?

For the first time, to my knowledge, the Goskomstat (State Statistical Commission) published in 1992 the Soviet balance of payments for 1990 as well as 1991 as shown in Table 2. Here the exchanges are shown separately for three currency areas, namely, those with convertible currency, the CMEA with 'transferable rouble', and those coming under barter or 'clearing' arrangements. If one assumes that trade with the west was exclusively in hard currency, and did not involve any barter, one can work out from Tables 1 and 2 that the conversion rate of the dollar in 1990 was 0.62 VR for export, but much higher at 0.78 VR for import. But the assumption is not valid, since a part of the Soviet trade with the west was actually in the form of barter. For the CMEA the corresponding rates in VR/$ were 0.50 for export and 0.46 for import. However, the rates for aggregate export and import were identical at 0.59 VR/$, that is, just 5 per cent below the 'official' rate. Thus it is not possible to recast the data for earlier years in the format used in Table 2. But this does not affect the trends noted above for each group of countries in Table 1.

A study by Grabisch of the reputed Vienna Institute for Comparative Economic Studies put the value (in VR bn) of Soviet export and import at 36.6 and 41.0 respectively in 1990, and 64.2 and 44.7 respectively in 1991. Moreover, it was suggested that for the first quarter of 1991 the export value of 9 bn VR could be converted at the then 'commercial' exchange rate of 1.677 VR/$ to arrive at the US dollar magnitude of 5.4 bn [Grabisch et al 1992: 85-87]. If our Tables 1 and 2 are to be trusted, Grabisch was misled by his sources on two counts. The trade turnover was much larger than what Grabisch depicted; and the 'commercial' rate was not applied to Soviet official statistics on trade flows, either for 1990 or for 1991. I do not know what role, if any, the commercial rate played.

Moving to Table 2, there was a precipitous fall in Soviet foreign trade in 1990-91 by one-third in export, and 44 per cent in import. Most drastic was the fall in trade with the CMEA partners; export crashed to less than one-half, and import to almost a third. The turnover in hard currency fell by 13 per cent, and in barter trade by 19 per cent.

When one comes to Russia (Table 3), the figures are alarming. In 1990-91 total trade shrank by two-fifths: with the CMEA by three-fifths, in hard currency by 11 per cent, and in barter by 21 per

TABLE 1: FOREIGN TRADE OF THE USSR, 1980-90

(In billions of valyutnye *roubles)*

	Total	CMEA	Other Socialist Countries	Developed Capitalist Countries	Developing Countries
Export					
1980	49.6	19.5	2.6	20.7	6.8
1985	72.7	32.5	4.3	26.3	9.6
1988	67.1	31.8	3.8	21.9	9.6
1989	68.8	31.3	4.3	23.1	10.1
1990	60.9	26.3	4.1	22.0	8.5
Import					
1980	44.5	17.1	2.2	20.1	5.1
1985	69.5	30.3	4.6	26.8	7.7
1988	65.0	32.8	3.6	23.3	5.3
1989	72.1	33.4	4.1	27.6	7.0
1990	70.7	31.4	4.5	28.1	6.7
Trade balance					
1980	5.1	2.4	0.4	0.6	1.7
1985	3.2	2.2	−0.3	−0.5	1.9
1988	2.1	−1.0	0.2	−1.4	4.3
1989	−3.3	−2.1	0.2	−4.5	3.1
1990	−9.8	−5.1	−0.4	−6.1	1.8

Source: Goskomstat (1991), p 279.

TABLE A: LIST OF ALTERNATIVE ESTIMATES OF CAPITAL FLIGHT

Size and Reference Period	Source	Publication
$25 bn, stock in early 1993	'Russians'	*Newsweek*, 15.2.93
$10 bn each in 1991 and 1992	'Authoritative'	*Newsweek*, 15.2.93
$10-20 bn in 1992	'World Bank'	*The Statesman*, 13.4.93
$17 bn in 1992	Vice-President Rutskoi	*The Statesman*, 13.4.93
$24-50 bn, stock in early 1993	'Various'	NTI, 1993/9
$20 bn/year, raw mat only	'Experts' cited by Y Ivanilov, Russian parliamentarian	FBN, 19.3.93
$86 bn*, stock in early 1993	'Western sceptics'*	*The Statesman*, 18.4.93

* 'More than double the proposed G-7 aid of $43 bn.'

cent. Import fell much more sharply than export, and consequently Russia had a sizeable trade surplus of $9.1 bn, including $4.8 bn each in hard currency and in barter trade, counter-balanced by a small deficit with the CMEA.

During the first nine months of 1992, as shown in Table 4, the crisis in Russia deepened. The export values, as noted therein and explained below, need correction; if the corrected figure is annualised, the total for 1992 comes to $32.7 bn which is just a little higher than the actual $31.7 bn cited by vice-president Rutskoi (*The Statesman*,, April 13, 1993), implying a 42 per cent fall against 1991. Annualised import fell by 25 per cent only. During 1992 trade with the CMEA countries came down to a trickle as all transactions were in hard currency. Barter trade also suffered heavily, the turnover declining by 37 per cent; trade with India, it is well known, came to a virtual standstill during the whole of last year. Even gold exports in 1992 could not be maintained at the previous year's level.

Provisional data obtained unofficially from the Goskomstat and published in the *Izvestiya* (March 31, 1993) belie the earlier forecast of the Economics Ministry that the downslide will be gentler in 1993 than in 1992. Trade results for the first quarter of 1993 against the same period of 1992 showed that export fell by 19 per cent and import by a staggering 58 per cent.

If one compares Russia's 1992 trade with that in 1990, the gravity of the situation comes out more clearly. Export, assuming Rutskoi to be correct, fell by over 60 per cent, and the same was true for annualised import. By contrast, trade in hard currency fell by only one-quarter, and that in barter by one-half. The loss in CMEA trade was more severe. Assuming that the trend for Russia paralleled that of the USSR during 1980-90, overall decline since the mid-80s was bigger still. For any country, however self-sufficient it might be, such a big drop in export and import over a few years would be a severe blow.

Here one must enter a caveat. As noted underneath Table 4, Russia's trade with the 'near abroad' are excluded. It is a fact that large volumes of import into and export from Russia were routed through these countries. Hence the 'effective size' of foreign trade in terms of domestic employment or output in the Russian export sector, or the availability of imported goods, was not as bad as the trade figures suggest. Most of the flows through the 'near abroad' were, however, a dead loss for the Russian balance of payments and/or the state budget.

Of the merchandise trade in Table 4, export on 'barter' and 'clearing arrangements' accounted for $8.1 bn, or 29 per cent of the total; the corresponding figures for import are $5.2 bn and 20 per cent. The barter trade leaves enormous scope for manipulation; under-invoicing of export (estimated by Goskomstat) and manipulation of the volume of foreign-credit-financed natural gas export (estimated by MOFER) led to an exchange loss of $2.9 bn and $1.2 bn respectively. As a proportion of the total under barter, the loss is over 50 per cent, which is extraordinary by any yardstick. After these corrections, the balance of merchandise trade shows a deficit of $2.2 bn against a nominal surplus of $1.9 bn. Although MOFER believes that the extent of barter is higher at 40 per cent, including that camouflaged under export-import deals, it has not indicated the magnitude of the additional loss of foreign exchange for Russia.

The item, 'services', includes cost of freight and insurance for merchandise trade, maintenance of embassies, contribution to international agencies, etc. Due to the absence of data, the hard currency component of the total is not known. Further, the item covers the operations of the Aeroflot and the Ministry of Shipping, a part of which takes place under 'clearing arrangements'; the loss of exchange, if any, on this score is not known.

How did the external debt situation evolve? Here I shall pass over the non-trade transactions of the USSR with the CMEA which are briefly described in

TABLE 2: USSR'S BALANCE OF PAYMENTS, 1990 AND 1991

($ billion)

	1990			1991		
	Credit	Debit	Net	Credit	Debit	Net
(A) Current a/c:						
(1) Merchandise trade: total	103.8	120.7	−16.9	70.2	68.2	2.0
HC	35.5	36.1	− 1.6	31.8	30.7	1.1
CMEA	52.2	67.9	−15.7	23.1	23.9	−0.8
Clearing	18.1	17.7	0.4	15.3	13.6	1.7
(2) Gold shipment[a]: HC	2.7	..	2.7	..	..	3.8
(3) Invisibles: total	..	..	− 7.2	..	..	−7.7
HC	..	..	− 6.2	..	..	−6.7
CMEA	..	..	− 1.0	..	..	−1.0
(a) Interest payments/ receipts: HC	0.7	4.7	− 4.0	0.5	4.2	−3.7
(4) Transfer receipt or free aid: HC	..	..	..	1.9	..	nil
(5) Current a/c balance: total	..	..	−21.4	..	..	0.1
HC	..	..	− 5.1	..	..	0.1
CMEA	..	..	−16.7	..	..	−1.8
Clearing	..	..	0.4	..	..	1.7
(B) Capital a/c: HC only						
(6) Capital balance	..	..	2.3	..	..	3.5
(a) Credits obtained	..	..	10.9	..	..	12.0
(b) Repaid principal on loans	..	..	− 8.2	..	..	−8.2
(c) Others	..	..	0.5	..	..	0.3
(d) Errors and Omissions	..	..	− 0.9	..	..	−0.7
(C) Total balance (4)+(5): HC only	..	..	− 2.8	..	..	−3.6
Financed by changes[b] in:						
(7) Foreign assets	..	..	1.7	..	..	3.1
(a) VEB's reserves	..	..	− 8.4	..	..	−2.5
(b) VEB's short-term loans	..	..	10.4	..	..	4.5
(c) Other banks' loans	..	..	..	..	..	1.0
(8) Overdue payments	..	..	− 4.5	..	..	0.8
(9) Carryover of debt payments	..	..	..	..	..	−0.3

a : excludes 'swap', i e, sale with an obligation to buy back within a period. b : fall (+), rise (−)

HC: in hard currency; CMEA: rouble trade with CMEA countries; VEB: Vneshekonombank

Notes : (1) With the CMEA countries, the current a/c deficit of 16.7 and direct investment outflow of 0.7, were financed by the VEB's short-term borrowing of 17.4 in 1990; the corresponding figures were 1.8, 0.3 and 2.1 in 1991.

(2) The clearing trade surpluses of 0.4 in 1990, and 1.7 in 1991 were deemed as short-term credits from the VEB.

(3) Row (4) above appeared in the source publication as part of the 'capital balance'.

Source: *Foreign Trade*, 1992/2, p 40; prepared by Goskomstat, with corrections by the Ministry of Foreign Economic Relations (MOFER).

Table 2, and concentrate on those in hard currency. In 1990 the Soviet current account deficit of $5.1 bn was predominantly due to interest payments to the tune of $4.7 bn; not all of it was actually paid. On capital account the Soviets should have repaid $8.2 bn as principal on earlier loans. Against a total of $12.9 bn of debt-servicing, the amount overdue (item 8) was $4.5 bn, and foreign assets fell by $1.7 bn; it appears that the balance of $6.7 bn was paid out of the new credits of $10.9 bn obtained during the year. Thus the USSR was well into the external debt trap by 1990, borrowing largely to service the debts.

The situation was at first sight much better in 1991 when the current account deficit, including interest obligations of $4.2 bn, was only $1.8 bn. The USSR was again due to pay back $8.2 bn on amortisation so that debt services amounted to $12.4 bn; overdue payments and the amounts carried over (items 8 and 9) actually declined by $500 mn, and foreign assets fell by $3.1 bn, while new loans amounted to $12.0 bn. Once again new debts helped to pay off the old ones.

The authors of Table 2 also published a comparable one pertaining to Russia alone, allotting to her 61 per cent of the USSR's external liabilities and assets; this was in accordance with the initial agreement struck between the newly sovereign states belonging to the ex-USSR. However, at the insistence of western powers most worried about the safety of their loans, Russia as the successor state assumed, with the concurrence of others concerned, full charge of Soviet debts and credits. Hence Table 3 shows the trade flows only. What has been said above on the USSR's debt-related transactions applies to Russia.

During the first nine months of 1992, Russia should have repaid western creditors $7.44 bn on the principal, and $2.7 bn by way of interest; the actual sums paid were over $1.0 bn and $391 mn respectively. Of the unpaid principal, $3.2 bn was officially rescheduled, and another $3.2 bn became 'overdue'. The non-payment of the scheduled amounts on principal and interest should have augmented Russia's debts by about $8.7 bn.

On the credits extended by the USSR, Russia was due to receive as much as $12 bn as debt-service; actually she got only $1.2 bn or 10 per cent, mainly from developing countries. Most of the Soviet credits, it is widely thought, are unlikely to be repaid [Grabisch et al 1992: p 85].

Russia obtained from the west, according to Vneshekonombank (Foreign Trade Bank), fresh credit of $8.9 bn up to September 1992; of these, 84 per cent was of medium to long duration, including $1.3 bn of grain loan from the US. An unspecified part of the western credit went to other states of the ex-USSR; it is reckoned with in the 'errors and omissions' of Table 4, and should not affect the overall picture depicted therein.

With the abolition of the state monopoly over foreign trade and foreign exchange holding, the central bank disposes of only a small part of the reserve; the government, namely the ministry of finance, has none at all. The rest of Russian assets abroad is with individual enterprises, including authorised commercial banks, which use them to meet their current and long-term goals. The short deposits held abroad by the latter increased from $2.5 bn on January 1, 1992 to $6.3 bn on October 1, 1992, i e, by $3.8 bn.

Finally, the item, 'errors and omissions' in Table 4, includes apart from the usual statistical discrepancy and the utilisation of fresh western credits by non-Russian members of the ex-USSR, also capital flight from Russia due to the retention abroad of part of the earnings by the exporters. It is worth noting that in 1990-91 errors and omissions averaged $0.8 bn for the USSR (Table 2), or barely one-fifth of Russia's $4.2 bn in January-September 1992; most of the difference can only be attributed to capital flight.

One may now look at the size and trend in Russia's external debts. Grabisch et al (1992: 85) estimated the end-1991 Soviet debt at $81.4 bn. The central bank chief, Gerashchenko also cited a figure of $80 bn for 'old', presumably pre-1992, debts (*Argumenty i fakty* 1993/8). If my reading is correct, considering changes in 'payments overdue' as well as new loans, the incremental debt (in $ bn) stood at 15.4 in 1990 and 11.4 in 1991. During the first nine months of 1992, payments overdue shot up to $8.7 bn, and new loans amounted to $8.9 bn; it is not clear how much of the new loan was assigned to other CIS members, or whether Russia will shoulder the responsibility to repay, recovering somehow the dues from the latter. Overall, Russian debt at end-September 1992 ought to exceed $95 bn. It would then appear that between end-1989 and end-September 1992, Russia's debt position worsened by about $40 bn

II

The balance of payments data just presented tells only a part of the story. Since there is no adequate record of the flow of goods between Russia and the 'near abroad', vast quantities of Russian goods have been transhipped through these porous borders into hard currency areas just as a lot of imports (including the traditional items from India) entered Russia in this manner; these transactions do not find a place in Tables 2 and 4 above. Moreover, as the items, 'corrections to export' and 'errors and omissions', in Table 4 indicate, the recorded transactions often involved a breach of the rules; it is a matter of guess whether these adjustments were adequate. Some additional information merit attention.

(1) Late in 1992 a Russian official report showed concern about the 'uncontrolled supply' from Russia, of light non-ferrous metals, wood, petrol, etc. through smuggling valued at several billion dollars. Then there was gross undervaluation in export of ferrous metals by 50 per cent; for caviar the authorities were aware of the ruling world price per kg of $120-200, but allowed export at a throw-away price of $35 [Anon 1992].

(2) According to two MOFER officials [Sarafanov and Lirov 1992], the export prices declared were often 5-10 times below the international prices, while those for imports were jacked up by 10-15 per cent. Crude oil was at times exported at a ridiculously low $3-5/ton. Moreover, documents were faked to claim exports earnings of $1.5-2.0 bn.

(3) There are just a couple of dozen state officials to monitor exports, who 'could not avert the avalanche-like export

TABLE 3: RUSSIA'S FOREIGN TRADE, 1990 AND 1991

($ billion)

	1990			1991		
	Credit	Debit	Net	Credit	Debit	Net
(1) Merchandise trade: total	80.9	82.9	−2.0	54.7	45.6	9.1
HC	26.1	24.1	2.0	24.8	20.0	4.8
CMEA	40.7	46.3	−5.6	17.0	17.5	−0.5
Clearing	14.1	12.5	1.6	12.9	8.1	4.8
(2) Gold shipment[a]: HC	1.8	..	1.8	2.5	..	2.5

a: See Table 2.

Note : Russia's shares in the Soviet totals were assumed to be: in exports 78 per cent in both years, in import 68 per cent in 1990 and 67 per cent in 1991, and in gold production 67 per cent in both years.

Source: *Foreign Trade*, 1992/2, p 41.

of strategic materials, mainly non-ferrous metals and rare-earth elements via the "near abroad" to the West and the East. There was no specific law to bar it. The customs officials were at a loss. Punishment was symbolic, and not a deterrent [Orlov 1993].

(4) The Russian customs officials are quite malleable. A nightclub owner in Moscow had a consignment of imported alcohol classified as 'humanitarian aid' (*Newsweek*, February 15, 1993).

(5) According to western sources cited by Skirbinskaya (1993), the CIS countries issued licences for the export of a 7,35,000 tons of aluminium in 1992. another 1,50,000 tons were shipped out by joint ventures, and illegal export was as high as 4,00,000 tons; according to another businessman, the West obtained 6,00,000 tons against funds supplied to extract the raw materials.

(6) The outflow of non-ferrous metals through Estonia has assumed such gigantic proportions that the country (lacking any of these resources) suddenly emerged as the world's 6th largest exporter in that product group. Out of some 60,000 Russian soldiers stationed in the Baltic states, many had set up private companies to siphon off to foreign countries vast quantities of metals stolen from the military bases (*Newsweek*, October 5, 1992; *Economist*, December 7, 1992).

(7) In an interview with the *Nezavisimaya gazeta* (April 10, 1993), the Russian minister of security, V P Barannikov, informed that official investigations showed illegal exports of 2 mn tons of oil, and tens of thousand tons of metals. There were about 300 criminal deals. In a special operation the authorities cancelled on a massive scale licences to export minerals, strategic raw materials and defence technologies; they also prevented visits abroad of innumerable scientists who had an access to (defence-related) secrets.

(8) In a bid to tighten control over the export of critical raw materials, the number of authorised exporters was recently slashed from 2,500 to 186, excluding the joint ventures (FBN, March 19, 1993).

The illegal or semi-legal exports obviously led in the first instance to capital flight from Russia. Under the existing rules, capital flight could and did take place in a perfectly legal manner as well. In general, exporters were required to surrender no more than 50 per cent of their export earnings to Russian authorities, keeping the rest for their own use, usually in foreign banks, for any length of time. It is, however, doubtful that the latter necessarily led to capital flight; for, a good part should have come back in the form of import, legal, semi-legal or illegal, to reap higher profits from the sale of such goods in the Russian market; the same should hold for illegal export earnings. It seems to me that in the Russian context, the term, 'capital flight', refers to any foreign exchange earnings not repatriated back into the country through the official channel.

Given the inherent difficulties in measuring capital flight, I list below the alternative estimates. The last one is given by some western sceptics of the proposed G-7 aid to Russia, who "fear that the money will go down the drain; there are also reports that large sums of money, more than double the size of the G-7 aid package, have been flown to bank accounts in Switzerland and elsewhere from the 'broad grey areas of capitalism and economic crime in Russia'" (*The Statesman*, April 18, 1993). It still seems to me rather implausibly high, considering the earlier volume of Soviet trade, and the disruption in the Russian economy since 1991. My feeling is that though capital flight was far higher than before in 1992 when the policy regime was drastically altered opening the flood gates, the stock in early 1993 was no more than $25 bn (Table A).

III

Illegal external transactions on the scale just described could not take place without a serious deterioration in the law and order situation. Mafias emerged across the length and breadth of the ex-USSR, corruption spread like an epidemic among civil servants and politicians at various levels, and government decisions were frequently changed or kept in abeyance to propitiate particular interest groups. Some evidence on each of these aspects are given below.

(1) Actually, the mafias came to the limelight in the wake of the perestroika which was dubbed in common parlance as 'the golden age of the mafias' [Anon 1991].

(2) Official statistics on violence are quite disturbing. In the global surveys of the World Health Organisation the USSR used to occupy a lowly place in the table on the number of deaths due to shocks, poisoning and violence in different countries; by now Russia is right at the top. There was a big spurt in criminal activities during 1992 when as many as 23,000 premeditated murders took place (*Izvestiya*, April 7, 1993).

(3) *The Newsweek* (October 5, 1992) had a long write-up on 'The New Chicago on the Neva', referring in particular to St Petersburg. Quoting a Russian ministry of the interior source, it said that there are 3,000 gangs extorting millions of dollar operating rackets like prostitution, dru and arms trade, and exporting billions dollars of raw materials. Marijuana bought for a pittance in Uzbekistan, an finds its way through Russia and Estoni to Finland. A single gang takes 40 to of copper every week to Estonia. O Polish businessman in Vilnius, Lithuani bought 10,000 tons of copper. A Russia firm bribed a Lithuania-based Russia Army officer to export aluminium irrig tion pipes with a total length of 49,0 km. Bronze, zinc and titanium are amon the non-ferrous metals exported in lar quantities.

(4) How the rule of mafias is spreadin into ever newer areas was narrated by u named Indian exporters to Russia. Soo after landing in Moscow, they were co tacted by the former and asked und threat to conclude deals only with them selves, bypassing the traditional agencie Although no Indian exporter has so f been physically harmed, other foreig traders were actually beaten up, even kil ed. Complaints with the authorities pr ved infructuous. Comprising of form employees of the KGB, as well as low-lev ex-CPSU officials, the mafias are repo tedly financed by higher level official they run the whole network, including th agent, importer, wholesaler and retaile Independently of the Moscow mafia similar gangs operate in different parts Russia. The story was confirmed b diplomats in Delhi. As a result, the ha pressed among the Indian exporters su cumbed to the dictates of the mafias, a cepting a lower profit margin; the mo resourceful ones took a circuitous an costly route, selling through front com panies in Singapore etc. on a consignme basis to the established importers [Satis and Dinakar 1993]. If this reduces th volume of India's exports, it also dim nishes Russia's export to India. After al mafia rule thrives best in an economy penury.

Mafias cannot flourish without politic support at various levels up to the ver top. Nothing illustrates it more vivid than the current upheaval in Italy wit over 2,500 persons, including form prime ministers, top civil servants and o ficials in the public sector, and busine magnates in the private sector, already in plicated in court cases. How many them will survive the debacle remains be seen. The reported kickbacks run in several billion dollars.

After the Soviet glasnost, revelatio about rampant corruption in high plac during the Brezhnev era, even involvi the family of the leader, were one maj but not the only, factor behind popul

revulsion against the Communist Party and the whole system. Confounding the 'naive' expectation of many, including myself, that politicians would henceforth be chastened, in the late 1980s corruption increased by leaps and bounds with every passing day. In the present atmosphere the image of politicians in this respect is badly tarnished, while charges and counter-charges are levelled against individuals for narrow political gains without sufficient proof. But there is no denying the fact that a large number of politicians are wallowing in luxury beyond the dream of the Brezhnev coterie. Gavriil Popov, a former mayor of Moscow and a liberal economist of repute, is reported to be among the five richest in Russia. Vice-president A Rutskoi, who sides with parliament against Yeltsin, recently accused the president's team of selling state property at knock-down prices to western firms and Russian mafias'; he claimed to have seen evidence as chairman of the Anti-Corruption Commission, and singled out ex-premier E Gaidar and G Burbulis among others. Barely a week after Rutskoi's allegation, the office of the Russian Prosecutor General issued a statement on 'illegal deals' to sell Soviet army property in erstwhile East Germany,' implicating the present defence minister, General P Grachev, and G Burbulis, formerly the first deputy prime minister and a long-time confidant of Yeltsin (*The Economic Times*, April 18 and 24, 1993).

Shortly before the referendum Rutskoi made three startling allegations, all of which were challenged in separate articles in the *Izvestiya* (April 20, 1993). (1) Out of the so-called humanitarian aid (see item 4 in Table 2 and item 6 in Table 4), Rutskoi asserted, 40 bn rb ended up in the pockets of mafias and their official patrons. His critics did not deny that a good part of the aid might have been misappropriated, but the total aid was far less than Rutskoi's figure. (2) The size of the 'shadow' economy was put at 3,000-3,500 bn rb. (3) It was also claimed that up to 40 per cent of Russia's GNP in 1992 was under the control of 'organised criminal gangs'. On the last two, his critics held that statistical work was in progress, but thought that the magnitude had been exaggerated by Rutskoi.

Thanks to the mafias and internal corruption, the government increasingly lost control over the economy since the late 1980s. On vacillations in decision-making caused by pressure groups, only a few specific instances will now be given. Some more will be provided later.

(a) In order to prevent large-scale misuse of duty exemption in respect of goods brought in from abroad by returning citizens, new tariffs up to 20 times higher than the old ones were introduced in July 1991, but were suspended within barely 6 weeks (*Keesings Record of World Events* (KROWE) July-August 1991, p 38343).

(b) As part of the price-liberalisation move on January 2, 1992, new import tariffs at a much higher level were imposed on a wide range of commodities; but these were put in abeyance just two weeks later, pending revisions in April (KROWE, January 1992, p 38731).

(c) The government made a much-delayed announcement on the doubling of petrol prices in March 1993; yet in early April the president reversed it, apparently because the motorists were 'infuriated' and the referendum was round the corner (*Financial Times*, April 11, 1993).

IV

No one will dispute that the Russian economy is in a very bad shape. Who are responsible and in what way? In the western media, Yeltsin's opponents are dubbed 'hardliners', 'right-wing', 'anti democratic', 'communists' and 'nationalists' who wish to return to the bad old days of an overcentralised command economy. What are their sins? A focal point of western attack is the central bank for recklessly printing notes and offering credits indiscriminately, thereby fuelling inflation and refusing any monetary reform; the chairman, it may be recalled, is designated, not by the president, but by parliament. Parliament is accused of: (i) imposing price controls over a large number of commodities, impeding the process of price reforms; (ii) indexing wages and salaries in the state sector, aggravating the inflationary spiral, and preventing a downward flexibility in real wages; and (iii) refusing to pass the bankruptcy law so that uneconomic state enterprises are kept in being artificially, adding to the budget deficit. Free prices, wage flexibility and bankruptcy law are among the *sine qua non* of economic reform to which Russia is committed and a necessary condition for western aid. The Russian parliament and the central bank are effectively sabotaging the programme, and prolonging the agony of the nation with the ulterior motive of fomenting hatred among the people against Yeltsin

TABLE 4: RUSSIA'S BALANCE OF PAYMENTS, JANUARY-SEPTEMBER 1992

(US $ million)

	Credit	Debit	Net
(A) Current account:			
(1) Merchandise trade: total	27,600	25,700	1,900
HC	19,500	20,500	-1,000
Barter/clearing	8,100	5,200	2,900
(2a) Correction for export-I	..	2,900	-2,900
(2b) Correction for export-II	..	1,215	-1,215
(3) Gold shipment, including 'swap'	1,742	..	1,742
(4) Services	2,900	3,254	-354
(5) Investment income	3,209	2,679	530
(6) Humanitarian aid and import	1,600	1,600	..
(7) Current account total	37,051	37,348	-297
(B) Capital account:			
(8) Credits drawn (utilised/amortised):			
(a) by state	535	308	227
(b) by others	8,900	7,442	1,458
(9) Credits assigned (utilised/amortised):			
(a) by state	8,747	328	8,419
(b) by others	..	1,080	-1,080
(10) Direct investment	1,100	1,325	-225
(11) Portfolio investment	293	..	293
(12) Unpaid interest on loans	2,113	2,719	-606
(13) Unpaid amortisation on loan	3,244	7,860	-4,616
(14) Rescheduled amortisation on loan	3,233	75	3,158
(15) Errors and omissions	..	4,158	-4,158
(16) Capital account total	29,702	29,525	177
(17) Central Bank: foreign exchange reserves	437	317	120
(C) Aggregate balance of payment	67,190	67,190	Nil

Notes : (1) Data exclude Russia's transaction with the 'near abroad', i e, other ex-Soviet republics.
(2) Values of trade are higher in MOFER than in the Goskomstat data shown here.
(3) Rows (2a) and (2b): See the text for explanation.
(4) Rows (8) and (9) refer respectively to credits, prior to and during 1992.
(5) Rows (12) and (13) refer to default by Russia against the scheduled debt services, only a part of which, as shown in row (14), was rescheduled by the creditors.

Sources: Goskomstat et al (1993) and Sarafanov (1993); prepared jointly by Goskomstat, Central Bank and MOFER.

and his liberalism; if they succeed, the return of the communists will be just a matter of time.

The western media, despite its self-professed objectivity, is highly selective, if not tendentious, in its presentation. I shall highlight a couple of instances of double standards. (a) *The Economist* (January 30, 1993) admits that if the central bank had not expanded money supply, industrial production in 1992 would have fallen by much more than the actual rate of 22 per cent. (b) *The Economist* (January 23, 1993) accused the Supreme Soviet of having passed a law that raised pensions by 90 per cent, without consulting the finance minister; it passed over in silence by how much prices had increased since pensions were last fixed. A fortnight later (February 6, 1993), the same weekly pointed out that the enhanced monthly pension of 4,275 rb was some 16 per cent below the 'minimum subsistence level' that assumed 'a diet heavy on carbohydrates, little protein and no money left over for clothes.' (c) When Yeltsin, in view of the impending referendum, doubled the wages of state employees in early April 1993, there was no adverse comment (*Financial Times*, April 11, 1993). (d) *The Economist* (January 9, 1993) lamented the imposition of price control, despite the advice of liberals, by premier Chernomordyn on bread, milk, meat and vodka; for, the state would have to foot a subsidy bill of 1,000 bn rb. But when Yeltsin succumbed to the demands of 'infuriated motorists' in early April 1993 (*Financial Times*, April 11, 1993), and reversed the decision taken in March to double oil prices, the western press was quiescent. Nor has the western press talked much about numerous tax concessions, etc, handed out to domestic and foreign entrepreneurs by the Yeltsin government, of which some examples will be given later.

One may now turn to some Russian debates on the economic crisis, beginning with Sarafanov (1993). The balance of payments described earlier, will pose enormous problems for the Russian ministry of finance in the years to come. Since 1992 there is a system of 'domestic accounting prices' (DAP) for goods imported through debt service payment from Russia's debtors (say, tea from India) as well as for goods exported by Russia (say, crude oil) to meet her own debt service obligation to Western creditors. The Russian federal budget obtains from the tea importer the value of the consignment at DAP, and reimburses, also at DAP, the domestic producers for the quantum of oil exported. The DAP per dollar of such import, it has been found, is three times lower than the DAP per dollar of export; as a result there is an enormous drain on the budget.

The budgetary problems are compounded by certain existing policies. Though the ministry of finance has no foreign exchange reserves, it has to meet the 'state's needs'(*gosnuzhd*), i e, servicing foreign loans, outlays on Russian embassies abroad, etc, and the 'centralised import' of food, medicines, technological raw materials, etc. The dollars are bought through the central bank at the prevailing auction rates of the Moscow Interbank Currency Exchange. Owing to social obligations, commodities acquired under 'centralised import' are sold by the government, according to a MOFER estimate, at a huge subsidy of 60-70 per cent on the import value. Assuming these imports at $10 bn in 1993, then at the December 1992 market rate for the dollar, the total subsidy during 1993 would amount to 4,000 bn rb which is more than 25 per cent of the income (under 15,000 bn rb) projected in Russia's budget for 1993.

On top of it comes the debt servicing obligation; in Sarafanov's apt phrase, it is like a 'slow acting bomb' that will explode with much greater intensity sometime in the future. At the current (March 1993) exchange rate, the government in 1993 would have to earmark 16,000 bn rb to service old and new debts, which actually exceeds the whole of the budgetary income. Even if this last figure is reduced by one-quarter, Russia seems to have run into a cul-de-sac.

In a polemical article, Makarevich (1993) poured cold water on the assertion by none other than Yeltsin that by March 1993 the inflationary fire was about to be extinguished. After all, the 1993 budget in his calculation will have a deficit of 10,000 bn rb against an expected 1992 GNP of 15,000 bn rb. Similar figures were put forward earlier by Gerashchenko (*New Times International* (NTI) 1993/19); against a revealed deficit of 3,500 bn rb, the 1993 budget contained 'concealed' outlays of 6,000 bn rb, bringing the total deficit to 9,500 bn rb.

Returning to Sarafanov's argument, one way out would be to impose higher tariffs on export and import in order to finance the centralised import. But the government had granted innumerable tax exemptions to individual enterprises as well as regions; one estimate showed that only 400 bn rb were collected as export duties in 1992; it would have been as much as 2,500 bn rb in the absence of such incentives. Sarafanov's figures on the loss to the exchequer are supported by I Democh (*Izvestiya*, March 31, 1993). The amount in billions of ECU (European Currency Unit of the Common Market, 1.0 ECU = $1.2 in early April 1993) was 2.2 for export and 0.3 for import in 1992; in the first 2-3 months of 1993 the losses had already reached 0.7 and 0.3 respectively. While a presidential decree has abolished the earlier tax exemptions for enterprises and regions, it leaves untouched the new privileges granted in 1993 by the president (exempting oil and gas industry from compulsory sale of a part of their dollar earnings to the state) as well as the parliament.

Sarafanov posed two alternatives. The first one is to strengthen the existing tariff system to regulate foreign trade, promote internal convertibility of the rouble (presumably, by bringing domestic price ratios closer to the international ratios) and remove gradually all quantitative restrictions on foreign trade. At the same time, an effective exchange control has to be put in place. The budgetary burden on account of centralised imports could be eased by drastically curtailing the volume of such imports. Further, the government has to stimulate hard currency export and the inflow of foreign direct and portfolio investments.

The second alternative, Sarafanov continued, is to abandon the present method of managing the economy primarily through 'economic' or price-cum-tax measures. Quantitative restrictions on foreign trade has to be applied more extensively. For centralised import, a more favourable official exchange rate may be needed. For debt-servicing, the state should fall back upon traditional administrative methods, and the finance ministry should work out a plan for dollar earnings and receipts. As a last resort, one cannot rule out a return to the earlier state monopoly on foreign exchange and foreign trade, depending on the evolving political situation in Russia. This second alternative may become a reality in the not-too-distant future, Sarafanov felt.

The weekly *Ekonomika i zhizn'* (1993/10: pp 2, 3) had an interesting panel discussion in March on the theme, 'What is the way out of the crisis?'. Fedorov, the finance minister, stated that the country had 'whirled on' (*dvinul'sya*) to the market; while the command economy had been dismantled, no 'civilised' market economy was yet in place, and the government is so weak that it is unable to formulate an economic policy. This can be changed by adopting strict priorities in agriculture and industry, and implementing them in such a manner that maximum results are obtained from every rouble spent by the government in each sector. The state should regulate, and not administer the economy. L Abalkin, a

ading economist who was advisor to orbachev, agreed on many points; if production is to receive priority, the targets ust be carefully selected, and the state nterprises in those areas have to be imulated. This would mean a complete versal of the policies pursued since id-1991. (Presumably, he referred above ll to the lifting of price control on nuary 2, 1992, leading to a 3.5-fold mp in consumer prices during the onth, and a 26-fold rise during the year.) erashchenko, the central bank chief, ought that a major mistake of the overnment in 1992 was in allowing a omplete loss of control over the economy'; indeed, it liquidated those very ructures that could exercise some control over the economy. It is difficult to explain to ordinary citizens why in spite of cutback in defence production, living andards are continuously going down. he government may criticise the central ank because there is too much money or at the credit policy is lax, but it has failed to spell out the economic goals for the urrent year that would provide a framework for monetary and credit policies.

In an interview with *Nezavisimaya azeta* (April 6) A Nechaev, till recently inister of the economy under Yeltsin and ow heading the Russian Financial Corporation, admitted that he had been amstrung in his ministerial work by owerful industrial and regional lobbies lamouring for various tax privileges; within the government sectional interests ied with each other to obtain more funds or themselves.

Perhaps the most telling refutation of he thesis that the parliament-controlled entral bank has been at the root of the yperinflation, comes from a report in the ro-Yeltsin, *Izvestiya* (April 13, 1993), ntitled: 'V Gerashchenko and B Fedorov Agreed: The Main Source of Inflation—Government'. The two are respectively the *ete noire* and the 'darling' of the western edia. The volte-face by Fedorov during earings in parliament was quite unexpected. Under attack from Gerashchenko, he former admitted that: there are lobyists from different industrial sectors who would not allow inflation to be slowed down; as much as 40 per cent of tax lues remain to be collected; and the central banks in the 'rouble zone' outside Russia do not co-ordinate their activities with their Russian counterpart, leaving uge quantities of rouble outside the control of the Russian central bank or government. I should add, though Fedorov did ot say so, that Yeltsin has been encouraging 'waywardness' among the CIS partners *sans* Ukraine. Both Gerashchenko nd Fedorov agreed that inflation can be controlled. Ironically, the same Fedorov had just a few weeks earlier categorically rejected the central bank's proposal on monetary and credit reform, characterising it as 'unprincipled' and 'unprofessional' (*Izvestiya*, March 23, 1993).

Yet the former premier Gaidar (1993) remains an unrepentant monetarist. He thinks that various interest groups have a stake in the inflation. Financial operations now run into millions, not of roubles, but of dollars. Thanks to cheap credit, apparently to meet the working capital needs of productive enterprises, the bank loans are quickly changed into dollars, provoking further devaluation of the rouble. Gaidar rejects the idea that inflation will cool down once production picks up. On the contrary, the first task is to ensure financial stability, and simultaneously define clearly the ownership of enterprises. Production can go up only when entrepreneurs put money into it, and not before. Gaidar also felt that the entrepreneurs are now overtaxed, paying for the huge unproductive expenditure of the state. He picked out specifically the 'rural' subsidies, accounting for as much as 10 per cent of the GNP in Russia against 0.2 per cent in the US; a good part of these subsidies in fact went into financial centres and commercial units, negating the very objectives of the subsidy scheme.

V

The situation regarding the oil industry is of particular interest for a variety of reasons. First, production has fallen steeply; the expected output in 1993 is 340 against 518 mn tons in 1990. Though production has been declining, it has not so far affected export to the same extent. While the USSR as a whole exported 109 mn tons of crude oil in 1990, Russia alone shipped out 61 mn tons in 1992 and as much as 11 mn tons in the single month of January 1993 [Goskomstat 1991: 281; *Nezavisimaya gazeta*, April 6, 1993]. Thirdly, although the sector has been a major hard currency earner, there has been an acute shortfall in investment. To keep the production going, up to 90 per cent of the existing equipment need to be modernised, without necessarily scrapping them altogether. But where are the funds? Should Russia go for foreign capital? Should Russian domestic prices remain as low (*vis-a-vis* world prices) as at present? Controversies have surfaced on these questions.

Foreign capital, as in Tsarist Russia, is keen to enter the scene in a big way. Only two recent examples will be cited in this context. First, the US Eximbank has entered into a $5 bn Memorandum of Understanding (MOU) with the Russian government for supplying oil equipment against oil supplies; already, it has decided to support equipment sale worth $500 mn in return for oil valued at $2 bn. The sale proceeds under the MOU will be deposited in offshore escrow accounts until the debt is repaid (FBN, March 19, 1993; *The Economic Times*, April 18, 1993).

The second example is from Kazakhstan (*Nezavisimaya gazeta*, April 10, 1993). Located at Tengiz in the *oblast* of Atyrauz, the joint venture, Tengizchevroil, is a 50:50 partnership between the Kazakh state and the US oil giant, Chevron. Out of a proven stock of 25 bn barrels, only 6-9 bn barrels can be extracted; production started in 1992 with 65,000 barrels/day and will rise to a maximum of 700,000 in the year 2010. Under the agreement, Chevron's nominee is the director-general, while the oblast chief is the other director. Chevron has already spent $50 mn on social infrastructure at Alma Ata, the far-away republican capital, and will pay a similar sum in the next 5 years to the oblast authorities. The joint venture will invest $2.0 bn on the oil project, but the exact contribution from each partner is not mentioned; 50 per cent of the income will accrue to Kazakhstan, in addition to taxes and royalties, while Chevron will have 20 per cent of the income over the 40 years of the venture. When the Moscow newspaper asked why the contract did not leave any room for ecological specialists, the oblast authorities kept silent; why the latter reversed their earlier decision to oppose the scheme, also remained unanswered.

Strangely enough, the US Eximbank's MOU had been stalled for sometime by none other than the World Bank. As a 'global' agency it had been insisting on having, in legal parlance, the 'first mortgage' on the assets of a debtor country; in case of a delay in payment by a debtor country on debt service, the bank used to have priority for its own credits over that of any other creditor, public or private. In March or April the World Bank resiled from this position, and allowed the US Eximbank as well as Japan to provide credits to Russia under the special escrow arrangement, as demanded by the US government (I Panasenko in *Moscow News*, April 16, 1993). The Russian government was equally obliging. President Yeltsin issued a decree on March 19 exempting joint ventures in oil and gas industry from the obligation to surrender the usual 50 per cent of hard currency earnings to the government; it is estimated that the decree would affect about 20 mn tons of oil export. Earlier, the government had removed the export duties on oil sent abroad, and also tariffs on imported

equipment and critical materials. The oil industry's demand for subsidy was, however, turned down (V Kremer, *Moscow News*, April 16, 1993). The earlier decisions (prior to March 19) have been extremely beneficial to the Russian 'producers' associations' which are responsible for the bulk of current export of oil (*The Economic Times*, April 18, 1993).

The domestic pricing of oil is the subject of a major controversy. Neverov and Igolski (1993) called for a rejection of the World Bank's advice to the government that the domestic price of oil be raised to the international level, and that Russian oil be sold abroad through global tenders. The authors believe that such a move will reduce domestic consumption to the detriment of the poor, cause a glut in the world oil market, and put a downward pressure on world oil prices, since Russia is a major supplier; they also pointed out that the international price per barrel of oil had been falling from $28 in 1985 to $21.5 in 1991. The authors favoured a cutback in production and export.

I am not sure that the Neverov-Igolski proposition on the domestic price of oil is quite sound. Some gap between domestic and foreign price for a renewable resource can easily be justified. Thus in the 80s when the international market for tea became bullish, the Indian government pegged th annual export volume at 200 mn kg; as a result, domestic consumers had cheaper tea, the international price shot up, and India's (also others') export earnings increased. For a non-renewable resource like oil the same argument does not apply; for, the annual supply is not fixed as with an agricultural commodity. Barring special cases of hardship, it may be better to keep the stock of black gold underground, rather than allow it to be frittered away at a low price by the affluent domestic consumers.

Prices of oil and many other scarce raw materials were deliberately kept low from the days of the Soviet First Five-Year Plan. In this respect the situation today is not different. Even after the price liberalisation of January 1992, the Russian domestic price of oil per ton was only 350 rb [Grebsch et al 1992: 84], or $3.50 at the prevailing auction rate. In March producers were selling oil to the government at 6,500 rb or $10/ton, and the retail price in the Central Region ranged from 35-40 rb or $0.06/litre (*Financial and Business News* (FBN), March 19, 1993; *Moskovskie novosti, Business*, March 14, 1993). The consumer price of petrol in Russia is absurdly low at barely 10 per cent of the West Europe rate (*The Economist*, January 23, 1993; *Newsweek*, February 15, 1993).

The state now garners for the budget the difference between its purchase price and the retail price (less costs). In my view, a significant increase (in real terms) in the oil price could raise the state's income by a huge sum, and facilitate the setting up of a special fund to subsidise consumption by the vulnerable sections, and encourage investment by the domestic producers, using equipment from the under-utilised machinery sector. It does not seem, however, that either the west or the various lobbies in Russia or even the populist forces there would welcome such a move.

Returning to the basic proposition of Neverov ahd Igolski that Russia, far from maximising, ought to cut back the export of oil, is also echoed by many others. 'There is much talk nowadays', wrote the parliamentarian, Y Ivanilov (FBN, March 19, 1993), "that the West, primarily the IMF, wants to make Russia simply a source of raw materials". Ivanilov did not want to attribute any such motive to the IMF or the west; he still felt that Russia should concentrate on export of high technology products rather than raw materials.

After the US Eximbank's MOU, the Tengizchevroil venture, and the major policy reversal by the World Bank, it is difficult to escape the conclusion that there is, indeed, a grand design to extract maximum oil from Russia for the western market. The fact that in the joint ventures, western equipment as well as key materials will enter Russia free of tariffs, is likely to sound the deathknell for Russian equipment manufacturers. Practically every decision of the Yeltsin government on the oil sector has helped western penetration into Russia. In fairness it must be added that the policy of pushing to the utmost export of oil was inaugurated by Brezhnev and continued by Gorbachev.

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[All the Russian dailies, weeklies and monthlies cited here are 'liberal' or official; opposition mouthpieces like the *Pravda* are not available. Sushil Khanna's careful reading of an earlier version helped me to remove certain ambiguities in the text. Research funds for this project came from the CMDS, Indian Institute of Management, Calcutta.]

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Industrial Negligence and Right to Know

K Ravi Srinivas

YOUR editorial on Industrial Negligence (March 20-27) is timely and has raised many important questions. The very fact that even after almost a decade since Bhopal Gas tragedy there is no regulatory mechanism to prevent such events nor to effectively cope with unforeseen accidents indicates the failure of the state in controlling pollution and safeguarding the health of the people living near the plant. On the one hand the economy is being liberalised and foreign investment wooed, on the other till date there has been no law to provide information to the workers or to the nearby community about the potential hazards and what steps should be taken in the event of an accident. By welcoming foreign investment in almost all sectors the government has opened the doors for multinationals and other foreign investors to produce in India goods which they could not produce in their countries due to prohibitively expensive environmental regulations and public outcry The government has neither adequately strengthened the existing regulatory mechanism nor has provided the right of information to people. What is still worse is that there seems to be no initiative on the part of the government on passing a law that would make the TNCs disclose risk information on activities involving the operation of a facility that could endanger public health, safety and environment, or on the production, sale and export of goods that could harm people and environment.

This problem is not unique to India, as more and more developing nations compete with each other in attracting foreign direct investment, import of new technologies and production processes, provision of various facilities for setting up units, particularly in export processing zones. But they cannot afford to overlook safety and public health aspects of such investments. Can they effectively regulate the conduct of TNCs for safeguarding environment and public health? Some interesting answers and suggestions to such questions are found in a report prepared by Michael Baram, director of the Centre for Law and Technology, Boston University Law School for UN Centre on Transnational Corporations,* where he discusses the regulatory schemes and disclosure mechanisms in vogue in industrialised nations and makes proposals for application of these regulations and other mechanisms for developing nations

In the US a developer has to apply to more than one agency at the federal as well as at the state level. Environmental Impact Statements (EIS) which will be available for public are to be submitted and an unique feature of EIS is that it must contain a review of reasonable alternatives and should be supported by professional analyses and other relevant evidence. This process based on EIS is a costly and time-consuming affair while its merits are that public have the right to intervene and the decision to implement could be challenged in a court. The 1985 Directive of European Community permits the states to integrate Environmental Impact Assessment (EIA) Analysis with the existing procedures. This has resulted in a wide range of regulatory mechanisms prevalent in various countries and the issue of how flexible and formal the whole EIA exercise should be, is yet to be resolved. Unlike the US where disclosure is a must under the principle of 'right to know', in Europe it is restricted to 'public concerned' under the principle 'need to know' and this limits the scope for public intervention. The OECD also issued guidelines on EIA while the UN endorsed the principle of EIA in 1982. Funding agencies like the World Bank and business organisations have also adopted guidelines on EIA.

In the US the federal enactment of Emergency Planning and Community Right-To-Know (EPCRA) in 1986 provides for risk communication and emergency planning mechanisms which include local emergency planning committees. Each firm has to submit information on materials handled, emissions, etc, and public access to reports submitted under EPCRA is guaranteed, subject to certain exceptions. But under EPCRA neither the agencies nor corporate officials are compelled to undertake review of facility safety while under the Seveso Directive of the European Community such a review is compulsory Despite such drawbacks EPCRA has resulted in the increase of public pressure on facility owners and agencies of governments. The Major Accident Hazard of Industrial Activities Directive of the European Community (popularly known as the Seveso Directive) permits member-states to adopt stricter regulations than the ones in the directive. The competent authorities in member-states are permitted to inspect and impose safety controls subject to the national law. The directive also lays emphasis on risk communication. The directive has evoked mixed response and its implementation is not uniform in all the states. The OECD enacted two binding decisions regarding internal policies for information disclosure, public participation and exchange of information between member-states. World Bank guidelines are based on the Seveso Directive The OECD has also issued guidelines on aid programmes and hazardous installations in developing nations.

The Hazard Communication Standard (HCS) ensured that workers would receive information about hazardous attributes and risk consequences of substances used in the facility. The HCS has been effective to a great extent and it is flexible enough for adoption for a wide variety of facilities although it is far from perfect. In Europe there are many mechanisms like joint committees, worker-management committees, voluntary provision of information, etc, apart from various resolutions and declarations. The ILO has adopted the Occupational Health Service Convention in 1985 and has established the International Occupational Safety and Health Hazard Alert System. Various unions and organisations have stressed the importance of providing information to workers in a language understood by them.

The Freedom of Information Act enacted in 1966 facilitates public access to information and has been useful to environmental groups. In Europe some countries have passed similar laws. Both UNCTC and ILO have framed policy guidelines and Code of Conduct for Transnational Corporations and Code of Practices. Other organisations like the United Nations Commission on Human Rights have also expressed their concern about TNC behaviour in the third world.

Baram has also provided a set of guidelines for developing nations for implementation. If these guidelines were implemented in letter and spirit it would still be possible to avert Bhopals and the death of people due to industrial negligence. Moreover much information can be obtained by government from international and national agencies on dealing with industrial hazards and pollution. Such information should not become the monopoly of technocrats or bureaucrats, but should be made available to unions and workers. In their own interest, trade unions and workers should press for information on matters pertaining to work process, hazardous nature of chemicals that are being used and the impact of the process and products on workers' health. Only if the rights of workers and communities are recognised and upheld can such events be avoided. The mere appointment of more committees and pronouncements has become a meaningless exercise.

Note

* 'Transnational Corporations and Industrial Hazards Disclosure by Michael Baram for UN Centre on Transnational Corporations, New York, 1991.

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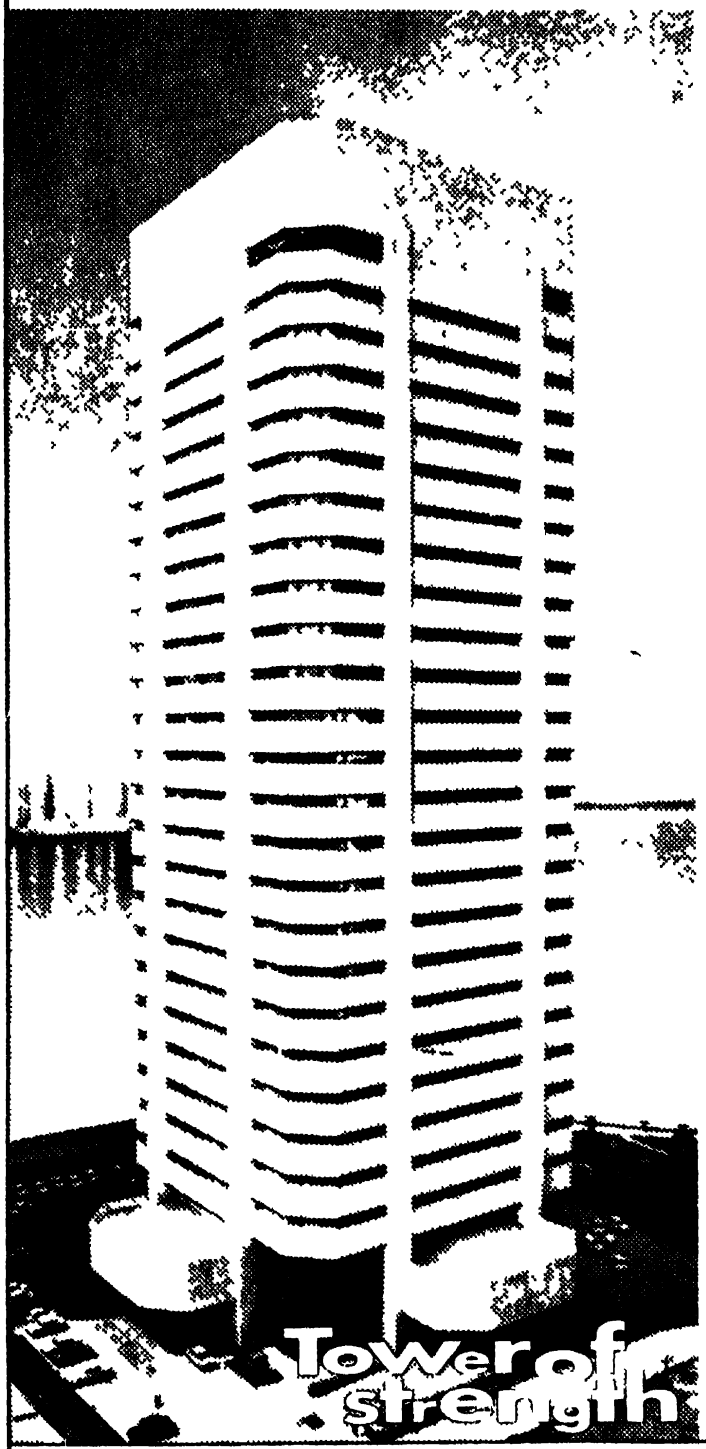
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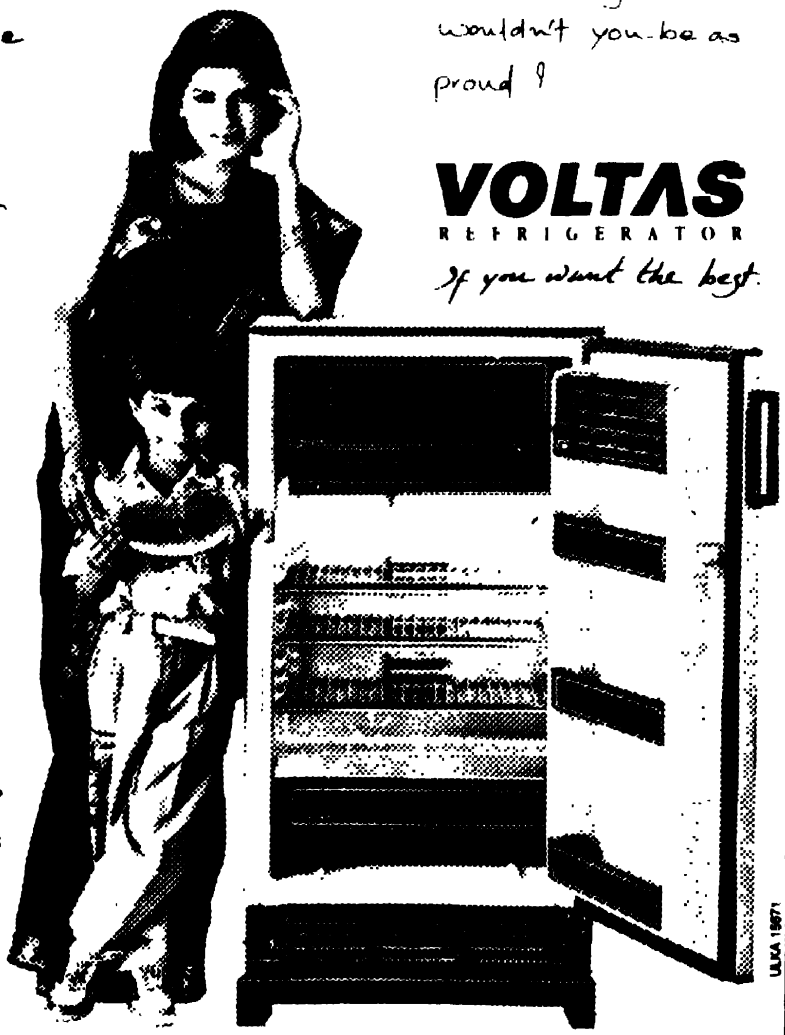
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Patents and Pharmaceuticals

India is quite competitive in the pharmaceutical sector and there is no need to fear introduction of product patents. Considering imports as amounting to working of patents cannot, however, be accepted. Duration of patents can be left to mutual bargaining and pipeline protection can be used as a bait for cancelling or reducing pipeline protection of developed countries in areas like textiles. While unilateral action by the US must be resisted when multilateral negotiations are making headway, joining the Paris convention is not an important issue from the point of view of the pharmaceutical sector. Greater emphasis on R and D and substituting non-patented drugs for patented drugs are far more important. 1037

People against Arrack

Beginning in August 1992 in a remote village in Nellore district, the agitation by women protesting against arrack auctions and demanding ban on the sale of arrack spread to almost all districts of Andhra Pradesh. The movement has not merely raised the women's question as is being portrayed by the press and a section of the intelligentsia, but has targeted its attack on the nexus between politicians, police and arrack contractors. 1059

Double-talk

Does the government want to approach the IMF for a loan under the EFF? While within the country the finance minister has sought to give the impression that the 'success' of the economic reform programme has rendered such a loan redundant, the message he conveyed to the IMF during his recent visit to Washington was quite different 1015

Army Rule

The decision to impose army rule in Kashmir, in effect if not formally, represents a tragic turn of policy, as much for India as for the people of Kashmir 1017

Disaster Warning

Panchayati raj institutions are not only a virtually foolproof source of early warnings about potential calamities, but also an effective means of ensuring that such warnings do not go unheeded 1019

The Megasystem

The megasystem, growing bit by bit as we fed it, has finally emerged from its quiescent gestation and woken to its own individual life. People and events can now more 'productively' be viewed as statistical possibilities, and as outcomes of forces interacting within a living system. 1030

Dowry in Orissa

It is not generally realised how violent Oriya society is *vis-a-vis* women The state occupies the top position in the number of dowry deaths every year. 1020

Identity Crisis

The Bengalis are expending so much of time on such trivial issues as the Bengali calendar entering a new century or West Bengal being given a new name because of a gradual ebbing away of their *elan vital*. 1013

Biotechnology

Much of the critique of biotechnology deals not with technology as such but with its abuse by multinationals. This raises further questions about whether states are all that benign in contrast to private corporations or whether destructive/immoral technologies become less destructive and immoral in the hands of the state. 1033

Mitterrandist Tragedy

There are many interrelated facets that have gone into the disintegration of the Socialist Party in France, but the chief catalyst has been soaring unemployment 1023

LETTERS TO EDITOR

Distorted Criticism

THE government of India's (GOI) final withdrawal from the World Bank (WB) is a logical culmination of a process which began when Morse-Berger Inquiry was instituted in mid-1991 at the behest of the executive directors (EDs) of northern Europe and America. This was a result of highly distorted and misinformed criticism of the SSP unleashed by some environmentalists in the North and the Narmada Bachao Andolan (NBA). The government of Gujarat did little to counter these propaganda blasts. The Morse-Berger Report itself is full of factual and logical errors, methodological flaws, significant ambiguities and distortions and suppression of vital facts. The R and R environment situation as depicted by Morse-Berger is grossly fallacious. Unfortunately, the northern EDs uncritically accepted the major portions of the Morse-Berger Report. The EDs, for instance, accepted that the bank had, from the very beginning, not even appraised the resettlement component of the project—in violation of bank's own policy on R and R. They also accepted a serious charge that the bank staff was guilty of 'gross delinquency'. The reality was exactly opposite. Acceptance of such charges and many others set the stage for eventual withdrawal of the GOI. The distortions and humiliation the Morse-Berger report has heaped on the SSP were further compounded by the unfriendly remarks of the EDs who said among other things that they were ready to give benefit of doubt to India!

They have failed to see the central points of R and R. They have not understood and appreciated that it is the bank's continuous involvement and close monitoring of the R and R that has resulted in progressive improvements in the R and R policy and has strengthened the hands of those NGOs—oustees and those in the administration who wanted a fair R and R for the tribals. In lending their uncritical support to the Morse-Berger Report and through that to the motivated environmentalists in the north, they have unwittingly created clouds of uncertainty for the tribal oustees of Maharashtra and MP.

The SSP, at the most, can be delayed. It cannot be stopped. Morse-Berger were the NBA-environmentalists' best bet to mount a credible attack on the SSP. Morse-Berger have failed and so has the violent intellectual attack on the SSP. The vital question is: now that the bank is out, the tribal oustees in Maharashtra and MP in increasing number are demanding a fair R and R, if the government of India fails to keep up its promise and to force the states to implement R and R in a fair manner, what will happen then?

ANIL PATEL

Arch-Vahini,
Mangrol.

Nominal Wages of Industrial Workers

AS the author of the book 'Wage Structure in Organised Industrial Sector', while thanking Bibhas Saha for his insightful observations in the book review (April 3, p 578), I have a few comments to offer.

After noting the main concern of the book, Saha suggests (para 2) that instead of being empirical, the study could have selected a model (or 'class of models'?) and studied and tested the predictions. Could one say that dissatisfaction with the existing literature need not automatically necessitate a 'theoretical motivation' behind this empirical study? Similarly while the study deals with the problem on the basis of the stated hypotheses, the results have been presented at the end of each chapter. Any further 'explanation' of the results (last para of the review) could only tax the reader, without any further illumination. It could also be said that in social science research it is not always clear what is "obvious and trivial" and what is substantial, unless a universal validity of received doctrines is assumed, as the reviewer seems to have done.

The results of the study have to be viewed against the background of the data constraints and the fact that 'models' can only be approximations and not replicas of the reality, particularly when they relate to issues of wage structure. The reviewer's comment, while dealing with econometric modelling, on the three dummy variables is not valid. Since three cross-sectional data of 1961, 1971 and 1981 have been pooled, the two dummy variables are required for allowing possible changes/shifts in the intercepts.

It is true that for validity of statistical tests for the significance of regression coefficients, the OLS estimates must be free from the problem of auto-correlation. The Durbin-Watson statistic showed significance of auto-correlation in only six cases. In a majority of the estimated regressions, the Durbin-Watson statistic shows that the auto-correlation is not significant. Thus, the statistical tests are valid. Needless to say, even if auto-correlation were present, the OLS estimates, though not efficient, would not be biased.

From an analysis of the data available for the study, labour productivity does not emerge as an explanatory variable for the behaviour of nominal wage, while inflation does emerge as the major causal factor. Though this finding may not fit in with the ideological predilections of every individual, the findings emerging from the analysis of the available data cannot just be disregarded.

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ECONOMIC AND POLITICAL WEEKLY

The Victims

THE decision of the Bangladesh government to postpone a high-level official meeting with India—scheduled for the third week of May—to decide on the modalities for the repatriation of Chakma refugees has plunged the latter again into a state of uncertainty. About 56,000 Chakma tribals, who had fled Bangladesh over the last seven-year period to escape persecution by the security forces there, are lodged now in refugee camps in Tripura. Their fears have further been aggravated by the announcement made by the new Tripura chief minister that all foreign nationals who had entered his state from Bangladesh would be deported. New Delhi also, following assurances by Dhaka that "the Chakmas are welcome back", is keen on pushing them back into Bangladesh.

But till now there is no evidence of any guarantee from Dhaka that these Chakma families will get protection once they go back to their homes in the Chittagong Hill Tracts--which by all indications have been occupied by the Bengali plainspeople who continue to be settled there systematically under the covert and overt policies of Dhaka, whether under the Awami League leader Mujibur Rahman or his party's present rival, Begum Khaleda Zia. Amnesty International and human rights groups in Bangladesh have been regularly coming out with reports about atrocities committed on the tribal people by the Bangladesh security forces.

Apart from the Chakma families who had been coming to India following attacks by security forces, there are another 30,000-odd Chakma people who had settled in Arunachal Pradesh in 1964 after they were displaced by the Kaptai hydro-electric project in Chittagong built by the then East Pakistan government. But till today, they have not been granted Indian citizenship.

The dispute with Bangladesh over the Chakma issue is becoming a part of the wider problem of continuing influx from Bangladesh into the bordering states of India. Poverty and lack of employment are driving both Hindus and Muslims towards India where they either find odd jobs or fall into the clutches of unscrupulous agents who use India as a transit point for smuggling illegal immigrants into other countries. Some time ago, a group of Bangladeshi Muslims were intercepted in Delhi when they were found taking children to some Arab country to make them participate in the heinous practice of camel-racing.

Of late, there has been an increase in the number of Hindu immigrants from Bangladesh who are being driven not so much by poverty as religious persecution by the Islamic fundamentalists. The BJP has found this a convenient issue to whip up communal sentiments in the border states like West Bengal, Assam and Tripura, where most of the Bangladeshi refugees have found shelter. In the BJP vocabulary, while the Bangladeshi Muslim immigrants are 'infiltrators' who should be pushed back to Bangladesh, the Bangladeshi Hindu immigrants are 'refugees' whose frustrations are being exploited by BJP politicians to turn them against the Muslims. While the BJP sheds tears over religious persecution of these Bangladeshi Hindus, they conveniently forget that the religious persecution by the Islamic fundamentalists there has been a direct consequence of the BJP-sponsored anti-Muslim riots in India. Whenever such riots take place in India, they provide a handle to the Islamic fundamentalists to retaliate against the Hindu minorities in Bangladesh. Such retaliatory actions followed the demolition of the Babri Masjid driving a large number of Hindus into India. It is the BJP and the Sangh parivar who should own up responsibility for the present plight of the Bangladeshi Hindu immigrants. But, by trying to force out Muslims from India (under the cover of flushing out Bangladeshi Muslim 'infiltrators') and settling Bangladeshi Hindu 'refugees' here, the BJP is moving towards its goal of 'religious cleansing' of the Indian state and turning it into a pure 'Hindurashtra'.

In order to avoid the repercussions that would inevitably follow such a development in the subcontinent, both Dhaka and New Delhi need to sit down and sort out the problem of influx before it assumes explosive dimensions. As for the Chakma influx, Dhaka clearly stands in the dock and will have to mend its ways to conform to the provisions of UN and other internationally recognised covenants which bind the Bangladesh government to protect the rights of the indigenous tribal population. Regarding the influx of the Bangladeshi Hindus, both Dhaka and New Delhi will have to share the responsibility. While it is India's duty to protect the lives and properties of the minorities from the onslaught of rising Hindu communal forces—which it has failed miserably to do—the Bangladesh government is expected to prevent the Islamic communal forces from retaliating against the Hindu citizens of Bangladesh, who cannot be held responsible for the anti-Muslim riots in India.

The drift in both Dhaka and New Delhi is however in a direction that is contrary to these requirements and expectations. In both the countries, the ruling powers are keen on appeasing the virulent fascist forces that are emerging from among the majority religious communities in their respective nations. In India, the self-proclaimed vandals of the Babri Masjid are being allowed by the state to flaunt the might of 'Hindutva'. Taking as it were a leaf out of its 'secular' neighbour's book, Bangladesh has decided to grant citizenship to the Islamic fundamentalist leader Golam Azad who collaborated with the Pakistan army during the 1971 civil war and masterminded the killing of Bangladeshis. Like the goons of the Sangh parivar who are parading their triumph in the streets of Indian cities, their counterparts in the Jamaat-e-Islami family of Bangladesh are holding demonstrations in Dhaka celebrating the rehabilitation of Golam Azad in politics.

THE ECONOMY

At the Cost of Growth

SHORN of the government's liberalisation shibboleths, the performance of the external sector in 1992-93 resembles that in some years of the 1970s. It reflects the depressed state of the economy as a whole. The government had resorted to draconian measures of demand management in 1973-74 as a result of which the rate of growth of industrial production, which had touched 5.8 per cent in 1972, slumped to 1.6 per cent in 1973 and 2.1 per cent in 1974. This in turn had contributed to a 12 per cent decline in the quantum index of imports in 1974-75. After a brief interregnum, demand compression measures had to be further stepped up in July 1974 and finally there followed the declaration of the emergency in mid-1975. The demand compression was reflected in drastic curtailment of development expenditure, the growth of which fell from 17.3 per cent in 1972-73 to 2.5 per cent in 1973-74. The growth of development expenditure by 39 per cent in 1974-75 and 21 per cent in 1975-76 in nominal terms has to be judged against the inflation rates of 20.2 per cent and 25.2 per cent in the previous two years, so that there was no increase in such expenditure in real terms. The depressed state-economic activity was reflected in the reduced level of imports. The quantum index of imports in 1976-77 at 97 (with base 1968-69=100) was lower than in each of the previous five years; in 1971-72, the index had been 105. As a result, the government was faced with an embarrassment of foreign exchange reserves. The level of reserves rose from $782 million at the end of March 1975 to $ 6,421 million at the end of March 1979. As the *Economic Survey* for 1976-77 put it, "currently our foreign exchange reserves stand at an all-time high level. It must however be emphasised that this result has been achieved partly at the cost of investment for growth". The *Survey* had further confided that "government policy is yet to find ways and means of utilising the external reserves for improving the growth performance of the economy".

The performance of foreign trade in 1992-93 reflects a parallel situation. With even more rigorous demand compression measures, including fiscal retrenchment and monetary and credit restrictions, there have come about severe recessionary conditions in industry which are in turn reflected in reduced import demand. Provisional data for 1992-93 just released show imports at $ 21.7 billion compared to the exceptionally low level of $ 19.4 billion in 1991-92. Even the *Economic Survey* for 1992-93, released in February, was expecting imports to be around $ 25 billion. In 1990-91, imports had been $ 24.1 billion. While commodity-wise details are not known, official expectations were that oil imports in 1992-93 would be at least $ 6.5 billion, in which case non-oil imports would have shown a rise of 8 per cent at about $ 15 billion compared to $17 billion in 1990-91—an effective loss of about $ 4 billion in non-oil imports, if normal import growth of about 12 per cent were assumed.

Against this background the euphoria in official quarters that the trade deficit in 1992-93, at $ 3.3 billion, was well below the anticipated level of $ 6 billion, misses the important point that it reflects the acutely depressed state of the economy. The same can be said of the seemingly impressive increase in foreign currency reserves in recent months. In the case of the reserves build-up, it has to be further noted, of course, that it is almost entirely based on borrowed funds.

SEX DETERMINATION BILL

Belling the Cat

THE Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Bill was introduced in the Lok Sabha in 1991. The bill was modelled on the pioneering act passed in Maharashtra and in fact improved upon it. Subsequently, in an effort to involve different cross-sections of people in the discussion on the bill, it was referred to a joint committee of parliament. The committee took more than a year to arrive at a report after conducting hearings and inviting opinions from what was meant to be a wide cross-section of concerned people. It wrote to a large number of medical professionals and groups and some of the more vocal health activists asking them to send in their comments—75 copies in English and 25 copies in Hindi—within a period of 15 days keeping the input strictly confidential. It was only after much protest from activists that some concessions were granted. Even so the 'people' remained largely under-represented.

The committee has made some relevant changes in the bill: it has strengthened the role of the advisory committee and made its composition more representative; it has specified in what manner the woman should be informed about the risks and has introduced a disqualifying clause for membership to the advisory boards which is that those who have been associated with pre-natal sex determination procedures cannot be its members. However, it did not consider the registration of ultrasonography equipment, which is being used for sex determination especially in the north, as necessary, nor did it put an effective bar on pre-natal procedures in the private sector despite a section of the committee holding strong views on the subject. It also retained the clause on making the woman punishable against the opinion held by many activists and women's groups, arguing that punishment of the pregnant woman will act as a deterrent and will go "a long way in achieving the cherished objectives of the bill".

Given the situation in Maharashtra two years after the act was passed, and the status of regulation in the medical sector, one wonders whether such a legislation will have any impact. In Maharashtra although the mandatory district committees are reported to have been set up, not one has met any activist groups who played a major role in the first stages of formulation of the bill have been increasingly marginalised. Moreover, most states are so lax in their monitoring and regulation of medical institutions that an act which specifically regulates a particular type of services is bound to be hard to implement even if there was the 'political will' to do so. For example, states like Tamil Nadu and Kerala do not have any legislation for monitoring nursing homes. It is a fact that the medical lobby is so influential in most states, and especially in those where health services are poorly developed and where unethical practices are rampant, that the act will necessarily remain unimplemented. While practices such as the misuse of medical technology need to be curtailed and monitored, this objective can be effectively pursued only within the purview of broader monitoring mechanism for the private medical sector.

EXIT POLICY

Why Not BIFR Route?

THE government has finally decided to come up with an 'exit' policy, that is, freedom for industrialists to close their units as they desire, without the permission of the government. Government spokesmen are still attempting to hide this truth. While inaugurating the 25th session and the national convention of the Indian National Trade Union Congress (INTUC), the prime minister sought to cover things up with heroic observations such as that the government did not want foreign investors "to use this country as a 'dharmashala'... to come here only to make profit". He also assured his party's trade union fraternity that an 'exit' policy was not on the government's agenda. However, his own labour minister P A Sangma, had already revealed before the annual conference of the Confederation of Indian Industry (CII) a few days earlier that the proposed Industrial Relations Bill would do away with the existing provisions of the Industiral Disputes Act which made

government approval a mandatory requirement for closing down a unit. Defending the change, the minister had said: "We are the only country in the world to have such a provision. There is no reason why the government should decide on every application for closure". But in the same breath he too ruled out an exit policy. "The objective should be to discipline workers and not displace them", he said. All the same, the labour minister set out the government's objective in clear terms: "The government is committed to a new work culture on the part of labour, a new management culture and a wage regime linked to productivity".

The case for imposing some restraints on industrial closures is based on some special characteristics of industry and business in this country. First, the principal reason for sickness in industry has always been mismanagement. Second, as their personal stake in their companies has been limited, industrialists have sought to siphon off funds from older units to newer ones. Third, industrialists have on the whole plumped for short-term gains and gains from trading as distinguished from those from industry and manufacturing, in the process jeopardising the long-term interests of their units. Finally, industrialists who have sick units under them have invariably flourished elsewhere through other units with the help once again of funds from banks and public financial institutions. Broadly, the Indian situation could be characterised as one where private industrialists have obtained sizeable public funds from banks and financial institutions despite their own stake being minuscule, milked their units, diverted funds to other units, generally taken no long-term interest in the weak units and led them to a situation of sickness, leaving labour in the lurch. They have done all this with the connivance of public agencies and even government functionaries. In this situation what protection will the approximately one lakh workers employed in sick medium and large industrial units have if employers are permitted to close their units without government approval? What guarantee is there that the phenomenon of sickness would not derive further impetus from such a policy? Data compiled by the Board for Industrial and Financial Reconstruction (BIFR) suggest that of the accumulated losses of 1,018 companies at Rs 11,629 crore, the bulk was financed by non-payment of dues to financial institutions and the employers' statutory dues. Banks and financial institutions, along with their industrialists friends, are no doubt waiting for the law to be changed so that many more units can be revealed as being 'sick' (which of course will multiply further the number and amount of non-performing loan accounts of banks). A simple measure to club different units under the same industrial group and adopt a group approach to lending by banks and financial institutions has not taken off the ground. If the government is interested in fair-play, it ought to enforce this simple solution, which is to desist from granting public funds to any unit of a group if there are sick units under its umbrella.

It is not as though under the present dispensation, there is no procedure for closure of non-viable units after considering the interests of all claimants: industrialists, banks and public financial institutions and workers. The BIFR set up in January 1987 to revive potentially sick industrial companies or recommend closure of non-viable units, has so far done a reasonable job. As the erstwhile chairman of BIFR has put on record, if the BIFR story is not a happier one, it is due to the dragging of feet by the Reserve Bank, by the banks and the term-financing institutions and by the government. The delays in the legal processes involved could be easily minimised and fool-proof institutional arrangements could be thought of for speedy decision-making in regard to sick units.

The BIFR story is by no means an entirely unsuccessful one so far. Up to the end of December 1992, the BIFR had received 1,772 references of which 440 were rejected on scrutiny. Of the 1,294 references registered, 234 cases were dismissed as not maintainable, 394 cases were approved for revival and 191 cases were recommended to the high courts for winding up. Draft schemes were also formulated for 39 cases and show-cause notices for winding up issued in respect of 68 cases; and sale of one unit was permitted. Amongst the cases approved 47 were for merger, 38 for management change and only three were for workers' co- operatives. The proportion of cases effectively decided to those registered with the BIFR till the end of December 1992 was 71.4 per cent and the ratio of companies on the revival path to those on the road to liquidation was 2:1.

Thus the BIFR route for resolution of industrial sickness has a strong rationale—it is a more balanced, realistic procedure, taking the interests of all into account. If public policy has a role to play in our unequal society, institutional arrangements such as the BIFR are essential. Once the appropriate norms are set, a neutral body could decide on the revival versus exit question. Otherwise labour could be thrown out of employment on the whims and fancies of businessmen. It is also a route which would go to protect the scarce resources of the community sunk in industrial units to which there is a significant social cost attached. There is indeed scope for shortening the legal processes. It is known how the banks and financial institutions have been extremely reluctant to support revival packages. This has happened particularly in cases where employees of sick units have come forward to form labour co-operatives and offered to run their units. The government and the financial institutions have, let us face it, shown an ideological bias against labour co-operatives.

MIGRANT WORKERS

Avoidable Confusion

ADDRESSING a seminar on migration to the Gulf in Thiruvananthapuram, P A Sangma, central minister of labour, reportedly disclosed that, with the relaxation of the emigration clearance requirements, the number of persons migrating every year had shot up from 1.5 lakh to 4.4 lakh, signifying an almost three-fold jump in the emigration of workers of the categories requiring clearance.

This raises a number of questions, the most important of which is whether the figures indicate a genuine jump in emigration. Could it be that persons previously emigrating illegally and without due authorisation, in order to avoid the hassles involved in obtaining emigration clearance, have started going in for the stamp of clearance? And that too in such large numbers? Doubt arises in this regard because to the extent that these figures indicate a shift from illegal to legal worker migration, it would mean revising all past estimates of the extent of illegal emigration. It was believed that in the stock of migrant workers from India in West Asia, the ratio of legal to illegal workers was 2:1. That estimate will need to be revised if the latest jump in the figure of worker emigration is indicative entirely of a shift from illegal to legal emigration. In the flow, as distinct from the stock, the ratio between legal and illegal emigration, before the relaxation of clearance requirements, would have had to be 1:3. In knowledgeable circles, there is none who would stand by this ratio. Even assuming that a part of the jump in the figure is accounted for by the return outflow of workers who had to be repatriated at the time of the Gulf war (roughly 1.3 lakh out of the 4.4 lakh) still the balance left, viz, 3.1 lakh, is twice the figure of emigration for the previous year.

If the explosion in the figure of current emigration is not entirely accounted for by a shift from illegal to legal emigration, does it mean that there is to that extent a genuine increase in the emigration of workers from India to the Gulf? At least, the various international agencies monitoring the inflow of migrant workers to

West Asia have not reported any massive increase in such inflow. If anything, one reads reports of new restrictions on such inflows. In Kuwait, for instance, a limit is reported to have been placed on the number of foreign housemaids a household can employ. Before the Gulf war, there were families employing four to five foreign maids. India was believed to account for almost one-quarter of the stock of foreign housemaids in Kuwait. It is not known how many of the older Indian maids have gone back to Kuwait and how many new have gone in addition. But, to the extent that the jump in the figure of worker emigration does not reflect a shift from illegal to legal emigration, the expansion in worker emigration, including that of women, would indeed seem to have been on a phenomenal scale.

All this uncertainty about the actual state of emigration would not have arisen if the government of India were more forthcoming at least with the information it already possesses on the subject. At any rate, the doubts would then have been of an entirely different order.

FAMILY PLANNING IN CHINA

All Coercion?

HOW much truth is there in the stories currently making the rounds in the western media, especially in the US, of the sort of punishment and humiliation being visited upon families, particularly women, in China for births that are not permitted, either because they are in excess of the number a woman is allowed or because they are inadequately spaced or even because the regional target has been reached already?

There can be no doubt that the publication of these stories has been so timed as to bring maximum pressure on president Clinton who recently announced that he was lifting the ban imposed by Ronald Reagan on the financing of the United Nations Population Fund. One of the major reasons for Reagan having cut off financing for UN activities in the sphere of population planning was that part of the UN funds were going to China even though it was pursuing "a coercive family planning programme". In fact, right now the US administration is also seized of the question of renewing the Most Favoured Nation treatment of China. And it could well be that the stories of atrocities committed by the family planning bureaucracy in China are inspired in order to influence that decision as well.

It is a fact that the Chinese authorities have been worried in recent years, since the late 80s to be specific, that their population growth targets may be exceeded. So in early 1991 it was decided at the highest level to tighten the family planning programme and strengthen its enforcement. As part of this decision, a sort of 'responsibility system' was introduced under which provincial leaders farmed out family planning targets all the way down the chain of command. Failure to meet these targets meant penalties or even dismissal of the functionaries. As a result, there was a 25 per cent rise in 1991 in the number of people, mostly women, who were sterilised to 12.5 million. In 1992 the number of sterilisations is reported to have come down to 6.5 million, but the explanation is that "most women of childbearing age had been sterilised by then". Other indicators of achievement, however, are that by 1992 considerable success had been recorded. The birth rate in 1992 was 18.2 per 1,000 as against 23.33 in 1987. Total fertility rate is expected to have dropped to 1.8 or 1.9 in 1992 compared to 2.3 in 1990. Only 9.6 per cent of all births in 1992 were third, fourth or fifth child; the figure for 1988 had been 15.4 per cent. The proportion of couples sterilised or using contraceptives rose to 83.4 per cent as against 71.1 per cent in 1988.

So there can be no doubt that in China impressive progress has lately been made in family planning. But is this achievement the consequence of the alleged harsh measures or of a predominantly voluntary acceptance by the people, rural as well as urban, of the imperative of family planning in a society already teeming with numbers while struggling economically? The answer will have to come from objective assessments and not from inspired, selective reporting of isolated cases of excesses.

PAKISTAN

Yesterday's Freedom Fighters

WHETHER or not the presence of a sizeable contingent of Arab freedom fighters in Pakistan was a bone of contention between Ghulam Ishaq Khan and Mian Nawaz Sharif, it certainly was an issue on which Jamait Islami parted company with the latter and made him more vulnerable. Lately Nawaz Sharif's government had, under pressure not only from western governments, particularly the US but also from several Arab countries, started to force these liberation fighters to leave Pakistan; indeed there have been reports of arrests and forced expulsion in recent months. Whether or not the interim administration of Balakh Sher Mazari is continuing the policy of its predecessor is not clear However, the pressure from the US has been mounting in the wake of reports that those alleged to be involved in the bomb blast at New York's World Trade Centre had been trained and equipped in Pakistan and had even emplaned from Pakistan for the US. So it is most unlikely that the Mazari government will want to invite US ire by relaxing pressure on Pakistan's Arab guests, now turned undesirable aliens, even though it may not openly profess strong action against them. In fact, the latest reports are of continued crack down on people described as 'possible terrorists and illegal aliens'.

The presence of these very liberation fighters in Pakistan was not only condoned by the US administration for several years, but they were armed and financed out of US funds funnelled to Afghan mujahideen groups in Pakistan fighting the Soviet-propped regimes in Kabul. The purpose of financing the Arab liberation fighters was not only to strengthen the opposition to the Kabul regimes but also to relieve the pressure of fundamentalist groups in the countries of origin of these Arab liberationists. Egypt which was supposed to have contributed the largest number to the Arab contingent in Pakistan (close to 20 per cent of the over 6,000 aliens registered with the Pakistani authorities) has been perennially dogged by problems posed by its fundamentalists. But lately these groups seem to have stepped up their activities and are targeting not only those closely associated with the present regime but also tourists. Tourism is the single-most important source of foreign exchange earnings for Egypt, accounting for over $ 2 billion annually. So Egypt is among the countries which have complained about Pakistan harbouring terrorists. Algeria too is reported to have lodged a similar complaint with the Pakistani authorities. So the US is not alone in this regard.

The question to ask is whether the Frankenstein that was knowingly created within Pakistan, ostensibly to support the Afghan mujahideen groups in their armed struggle against the Kabul regimes in the name of religious freedom and democracy has now been rendered dysfunctional and is looking for other outlets for its operations. It is significant that in Pakistan there is an articulate, though possibly not numerous, section of public opinion which is openly critical of the government's crack down on these people. It is one thing to want to expel them; another to be able to do so when no other country, not even their own country, wants to own them, except possibly as proclaimed offenders. It is a moot question therefore whether, given the internal political uncertainties in Pakistan, it will be possible for the authorities to keep this altogether self-inflicted menace in check. Whichever regime succeeds the present interim administration will have its hands full coping with this burning problem.

Pasari Spinning Mills

PASARI SPINNING MILLS, promoted by Pasari Export, a government of India recognised export house, and G S Gupta and Associates, is setting up at Nanjangud, Karnataka, a cotton yarn spinning unit with 5,750 spindle capacity at a toal capital outlay of Rs 650 lakh to be met by equity capital of Rs 585 lakh (promoters Rs 234 lakh and public Rs 351 lakh), central subsidy of Rs 15 lakh and lease finance of Rs 50 lakh. The entire project has been planned for a spindle capacity of Rs 25,000. The company proposes to achieve this spindle capacity in three phases. The first phase covering 5,750 spindle capacity is scheduled to be completed by this June. As soon as the production target for the present spindlage is reached and the standard quality produce is stabilised, the company will be going in for an addition of 6,000 spindles to be completed in June 1994. The third and final phase of the remaining 12,000 spindle capacity will be completed by December 1995. The projected turnover for 1993-94 (nine months), 1994-95 and 1995-96 based on capacity utilisation of 80, 90 and 95 per cent is Rs 306, Rs 478 and Rs 526 lakh respectively and the net profit Rs 58, Rs 112 and Rs 133 lakh. To part finance the project, the company is entering the capital market with a public issue of Rs 35,10,000 of Rs 10 each for cash at par aggregating Rs 3.51 crore, out of which 10 lakh equity shares of Rs 10 each totalling Rs 100 lakh are reserved for NRIs with repatriation benefits. The issue opens on June 16. Listing will be done at Bangalore, Bombay and Calcutta stock exchanges. Canara Bank Merchant Banking Cell and Times Guaranty Financials are the lead managers to the issue.

Indsil Electrosmelts

Indsil Electrosmelts, Travancore, which is setting up a Rs 12 crore project to be going shortly on stream to manufacture 7,800 tonnes per annum of ferro silicon, has some very distinctive features, not the least of which is that it has the largest captive private sector hydel power plant to generate 71 MW to provide a source of energy at low cost. The company has signed an MOU with the Kerala State Electricity Board to establish a 71,000 KW project at a cost of Rs 45 crore. The company is backed further by a successful record of the promoter, S N Varadarajan, a technocrat who indigenised ferro silicon manufacture in India and who has succeeded in establishing and operating several ferro silicon plants in the country. Sun Metals and Alloys, which is the promoting company of Indsil Electrosmelts, was established by Varadarajan in the same line of activity way back in 1982 and has a consistent track record of payment of high dividends—35 per cent successively for the last five years. Sun Metals and Alloys will be providing design and technology free of cost. The project is fast getting under way and is expected to be commissioned by November 1993 to fill the gap estimated at 60,000 tonnes in ferro silicon supply by the end of the Eighth Plan. The project is estimated by IDBI to cost Rs 1,170 lakh, which is to be met with term loans of Rs 445 lakh from the IDBI and further Rs 150 lakh from State Bank of India, Rs 100 lakh investment by Kerala State Industrial Development Corporation, promoters' contribution of Rs 190 lakh and by NRIs of Rs 75 lakh to the share capital, and public issue of equity shares of Rs 285 lakh. The public issue opens on July 6 under SBI Capital Markets and State Bank of Travancore as lead managers. Varadarajan, a recipient of the Udyog Patra Award, is the managing director of the company.

Vatsa Finance

Vatsa Finance, the company that made news as it commenced operations last year by offering private safe deposit lockers at low rentals, is now raising from the public Rs 4.50 crore by an issue of 44.86 lakh equity shares of Rs 10 each at par. The issue opens on June 2 under India Securities as lead manager. The present issued share capital of the company is Rs 3 crore. With the additional issue, the company is to meet its estimated requirements of funds of Rs 8 crore. Of this amount Rs 1.43 crore is the remaining balance cost of purchase of the premises at Lokhandwala complex in Bombay and Rs 1.10 crore is towards interior designing of the premises in Opera House in central Bombay. It is at this latter premises that the company has decided to install 1,800 safe deposit lockers, while at the former place 1,023 lockers have become operational. The lockers are open 24 hours a day and 365 days a year. The company, promoted among others by Ganpati Exports (a Star trading house) and Rolex Holdings (an investment and loan finance company), has also on the agenda such other business as leasing, hire purchase and OTC market operations. However, the company is still to be recognised as a leasing and hire purchase company by the financial institutions. This is expected by 1994-95, while the company has also applied to SEBI for registration as Category I merchant bankers. As these plans materialise, the company will be augmenting resources with further issue of share capital. Indeed, a further issue of Rs 7.50 crore is projected in the next year, with which the issued share capital will stand doubled to Rs 15 crore. It is expected that Rs 3.50 crore of the additional share capital will come by way of conversion of the promoters' loan funds, while there will be a rights issue of Rs 4 crore to the shareholders. For the first half of the financial year to March 1993, the company reported a net profit of Rs 61,000 on a total income of Rs 19.40 lakh.

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STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 8-5-93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	235.0	0.6	6.1	1.1	9.8	13.7	10.3	7.5
Primary Articles	32.3	234.7	0.3	2.8	1.0	7.3	18.1	13.0	2.2
Food Articles	17.4	274.2	0.7	5.0	1.9	12.3	20.2	11.8	1.2
Non-food Articles	10.1	222.5	−0.8	−1.4	−1.0	−0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	246.0	0.4	14.9	0.4	14.1	13.2	12.3	3.6
Manufactured Products	57.0	233.1	0.8	6.5	1.2	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1992	1992-93	1991-92	1990-91	1989-90
Industrial Workers	1982 = 100	243[3]	0.4	6.1	6.1	6.1	13.5	11.2	6.5
Urban Non-Manual Employees	1984-85 = 100	205[11]	—	9.6	6.8	..	13.5	11.0	6.9
Agricultural Labourers	July 60 to June 61 = 100	1,053[3]	−0.5	3.8	3.8	3.8	19.3	7.5	3.2

Money and Banking	Unit	Latest Fortnight (30-4-93)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,77,293	6,337 (1.7)	50,555 (15.5)	14,929 (4.1)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,85,757	10,850	21,152	9,583	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,142	484	24,515	4,083	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	25,318	1,163	6,208	1,982	6,155	10,098	1,915	−149
Deposits of Scheduled Commercial Banks	Rs crore	2,74,744	−1,208 (−0.4)	38,504 (16.3)	7,597 (2.8)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,55,517	290 (0.2)	22,980 (14.8)	4,463 (3.0)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 14-5-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	21,377	325	8,130	1,181	5,385	10,223	−1,383	−795
	US $ mn	6,790	29	1,608	323	746	3,383	−1,137	−854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Oct 92)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	208.3	204.7 (3.0)	198.7 (−0.9)	0.1	8.5	8.6	8.7	7.3
Mining and Quarrying	11.5	215.4	207.7 (3.5)	200.6 (−1.0)	0.8	4.9	6.3	7.9	3.8
Manufacturing	77.1	196.8	195.0 (2.2)	190.8 (−2.4)	−1.4	9.1	8.6	8.7	7.9
Electricity	11.4	278.4	261.7 (4.5)	250.5 (7.9)	8.3	8.7	10.8	9.5	7.7
Basic Industries	39.4	..	..	..	..	3.8	5.4	9.9	5.6
Capital Goods Industries	16.4	..	..	..	..	17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5	..	..	..	..	6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6	..	..	..	..	10.4	6.3	4.2	6.5
Durable Goods	2.6	..	..	..	..	14.8	1.7	12.0	7.8
Non-Durable Goods	21.0	..	..	..	..	9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (Dec 92)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989-90	1988-89	1987-88
Export	Rs crore	4,192	37,329	30,795	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,423	47,480	34,403	47,813 (10.7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	−1,231	−10,151	−3,608	−3,835	−10,640	−7,735	−8,003	−6,570

Employment Exchange Statistics	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	537	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore	..	..	3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (−1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. . . Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript [1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

Calcutta Diary

AM

The Bengalis in West Bengal cannot quite envisage what the future holds for them; they have also lost the confidence to proffer that they will build their own future. They, therefore, either take recourse to exercises in nostalgia, such as were witnessed a couple of years ago centring around the tricentenary celebrations of Job Charnock's Calcutta, or indulge in frivolities such as over the Bengali calendar entering a new century or West Bengal being given a new name. All such indulgences are escapes from reality.

THE one hundred eighty-first entrant to the United Nations, the Republic of Macedonia, has been admitted to the Turtle Bay outfit on a provisional basis. This is something unique. The Macedonian republic, one of the splinters resulting from the coming apart of Yugoslavia, is a member of the UN and yet not a member. The ambivalence has its reason. A province in Greece is also known as Macedonia; Alexander the Great had sprung from this tract a couple of thousand and odd years ago. Not unnaturally, Greece is feeling queasy: should the breakaway segment of Yugoslavia be allowed to call itself Macedonia too, who knows, it might, one of these days, choose to turn a covetous eye on the province of Greece with the same name. Or some malcontents in the province might begin to dream of integration with the independent Macedonians across the border. The authorities in Athens have therefore posted their reservations with the United Nations: by all means accord formal recognition as a separate republic—and a member of the world body—to that particular relic of Yugoslavia, but let it pick another name for itself. The issue is still to be sorted out. The Republic of Macedonia is for the present in a limbo. it is a part of the United Nations, but it does not yet know its name.

This identity crisis is having a bit of an echo nearer home in West Bengal. Independence, and the partitioning of the country, saw the emergence of East Punjab and West Bengal as constituent units of the Dominion, later, Republic, of India. East Punjab became Punjab within a decade following independence, but the supposedly radical Bengalis have continued with the nomenclature of West Bengal for their state. They could have, at any time prior to 1971, easily re-named their state as 'Bengal' without raising any domestic or international hackles. The major part of pre-1947 Bengal Mohammad Ali Jinnah walked away with had metamorphosed into East Pakistan, so there would have been no scope for either heart-burning or confusion had West Bengal then decided to shed the 'West'. The Bengalis in India—or, rather, the politicians in Calcutta—however dithered. This indecisiveness was the contribution as much of the original residents of the districts comprising the territory of West Bengal as of migrants from the eastern wing of erstwhile Bengal. People and political personalities hailing from the West Bengal districts did not quite relish the idea of their demesne losing its distinct identity: till as long as West Bengal remained West Bengal, they could claim to be the rightful inheritors of the land, those who crossed over from the eastern districts merely being their guests, were the state to be re-christened as just 'Bengal', their status as legatees and hosts, they feared, would be obliterated. The migrants from the eastern Bengal districts suffered from a different hang-up Given their roots in an overwhelmingly riverine culture, they were inveterate romantics. Till as long as the land to which they had migrated was described as West Bengal, they could console themselves that they were only transient residents in an alien land, their natural habitat was East Bengal, to which, circumstances permitting, they would one day return. Once West Bengal was rudely rendered into Bengal, it would in effect be short shrift to that kind of romantic day-dreaming. So they too were for the maintenance of the *status quo*. It was thus an equilibration of two parallel reluctances, and West Bengal has remained West Bengal through the post-independence decades.

Not that this situation mattered a great deal. Political commentators would sometimes draw attention to the anomaly of the simultaneous existence of a Punjab liberated from the immediate post-partition pre-fix and a Bengal still fastened to the apron-string of a 'West'. West Bengal ministers would complain from time to time that, given the alphabetical happenstance of the state's nomenclature, they have to sit, sandwiched between the representatives of Tamil Nadu and Uttar Pradesh, waiting, for hours on end, for their turn to come before they could make their presentations at meetings of the National Development Council or at conferences of chief ministers. But indecision got the better of their occasional irritation. If only they had so wanted, West Bengal could have been given the formal name of Bengal, pure and simple, or even Bangladesh, and the world would have duly got used to the new nomenclature.

West Bengal missed the bus. 1971 transformed the complexion of the problem. That year saw the re-emergence of East Pakistan, following what the natives love to describe as the war of liberation, as 'Bangladesh' Even though often disparagingly referred to as a bread-basket case, Bangladesh is very much a recognised international entity, and has pre-empted West Bengal from the opportunity of calling itself, at this late hour, by that name. Should the Bengalis in India insist on opting for this name and the Indian authorities formalise such a re-nomenclature for West Bengal, there could be in the United Nations a Macedonia type of confrontation, with this qualitative difference that, instead of a new member of the international body attempting to appropriate the name of a province which is an integral part of a member-state, a member-country would venture to adopt the name of a neighbouring member-country of the United Nations as description for one of its parts. It is not even certain that should West Bengal decide to re-name its territory as 'Bengal' from now on, Bangladeshis would put up with that either. 'Bengal', they might argue, is phonetically much too close to 'Bangla'; it is, they could point out, actually the Anglicised form of the latter.

And that would not be quite the end of the story. Even were there no objection raised from across the border, reservations could be voiced about choosing the name 'Bengal', bare and unadorned, from the politicians of West Bengal itself. 'Bengal' might be all right for purposes of documentations in English, but there was need, they might argue, for a second nomenclature which was indubitably Bengali, and which could enter the currency of other Indian languages as well. A couple of months ago, a West Bengal minister floated a trial balloon. Would 'Banga' do as a new name for West Bengal, he enquired with some diffidence. The suggestion was received with unmixed hostility from different quarters. 'Banga', the cognoscenti concluded, was much too drab, much too limp, it did not quite convey the lyricism of the Bengali milieu. What they most missed was the lilt of the substantial consonant 'l'. This consonant apparently packed a lot of history. The territory familiarised as 'Banga' in early Sanskrit literature, and so written in Brahmi script, gained, once it passed through the filter of Prakrit and Pali, that extra 'l', never mind where exactly it was placed. In case you dropped the 'l' from 'Bangla'—or 'Bangal' as the Lodis and the Mughals preferred to call it—check with the Bengalis, you would deprive their land of its virility.

Perhaps it would be risking a linguistic riot to suggest that that is precisely it, the Bengalis are expending so much of time on such a trivial issue because of a gradual

ebbing away of their *elan vital*. Arrange a Cook's tour of West Bengal; what would most strike you is the drying up of the Bengali imagination. There is evidently a shortage of great causes in the neighbourhood. Radical politics, the traditional forte of the Bengalis, has been played into a difficult corner. Between Mikhail Gorbachev and Boris Yeltsin, they have, for the present, done a neat hatchet job of socialism and command economics. Russian hyperinflation has re-kindled some hopes in the minds of the countless Bengalis aghast at the treatment meted out to Marx's magnificent social dynamics. The circumstances nonetheless remain dicey. A quarter of a century ago, Mao's China was a major stirrer of Bengali emotions. The degeneracy of that land into so-called market socialism has once more put out the candles. The Indian Constitution and the relationship it adumbrates between the centre and the constituent states make it well-nigh impossible for a state to strike out on a course of independent economic development. This had for some while provided grist to Bengali polemics. Unfortunately, the war against iniquitous centre-states relations cannot be pursued with the same vigour as in the days of yore; to do so would be to offer objective help to the monkey brigades of the Vishwa Hindu Parishad. Ever since the dismissal of the BJP governments in the four Aryavarta states, that party has discovered some pristine virtues in the slogans coined by West Bengal's Left Front pertaining to centre-states relations; the Bengalis necessarily have to increase their distance from the slogans. There are other impediments to radicalism. The next logical step in land reforms, co-operative agriculture, is, it seems, a bit too much for the naturally-divisive Bengalis. Decentralisation of power in the countryside through the panchayats has a certain attraction, but how far can power go without finances, which are tightly held by New Delhi. In any event, the centre's revisionist policies have cast a pall on the process of economic growth in the entire country; West Bengal is only a spec, the millions of its unemployed do not quite know which direction to turn; they therefore turn to watching the gymnations of the Sri Devis and the Divya Bharatis, the lowest common denominator bringing India together.

True, the Bengalis once used to boast of their poetry and literature and theatre and cinema. The bulk of the better genre of poetry in Bengali is however now being composed in Bangladesh, which has also graduated as being the epicentre of more serious research on the problems of Bengali language and historiography. The richness as well as the elegance of the Bengali as spoken in Bangladesh are of a much superior category compared to the stylised *patois* of Calcutta and West Bengal. Even Tagore songs, the supposed *summum bonum* of Bengali sensitivity and sophistication, are sung with immeasurably greater splendour in Bangladesh. The Bengali species of the *cinema verite* has lost out to the Shabana Azmis and the Om Puris of Bombay; even the later Satyajit Ray films, while they would win national and international accolade, would bomb in the box office. Making a serious film in Bengali is now out of the question unless government subvention is made available. Utpal Dutt is gravely ill, Sambhu Mitra has gone into sullen hibernation, the rest of the Bengali stage is little to write home about, except perhaps some occasional pyrotechnics from Tapas Sen, the lighting genius. Bengali journalism, what is the point of mincing words, has reached its nadir; its instinctive dislike of socialism of any variant has pitted it against the Left Front; almost each journalist feels himself *engage;* since the faction-ridden Congress party has little future in the state, the journalists cling to their wild fantasy of a Queen Boadicea of most suspect credentials teaming up with the Hindu fundamentalists to usher in a new millennium. The fare served by local radio and television is the last word in illiteracy; it has been rendered more so by its contents being decided by an equally illiterate bureaucracy in New Delhi.

It would be idle to pretend that, given this milieu, either a people or their government would think great thoughts or dream great dreams. The Bengalis in West Bengal cannot quite envisage what the future holds for them; they have also lost the confidence to proffer that they will build their own future. They therefore either take recourse to exercises in nostalgia, such as were witnessed a couple of years ago centring round the tricentenary celebrations of Job Charnock's Calcutta, or indulge in frivolities such as over the Bengali calendar entering a new century or West Bengal being given a new name. All such indulgences are escapes from reality. There is something overwhelmingly symbolic in the moral stance of a social science research unit in Calcutta. It has on its roll an enviable number of first rate economic analysts, vastly read historians, perceptive sociologists and outstanding political scientists. They however hold in total disdain contemporary issues and problems, nor are they prepared to engage themselves in serious research concerning any aspects of West Bengal's—or India's—future. They believe in *post mortem* explorations, but only if the corpse is at least one hundred and fifty years old.

Nothing specific about this necrophilia, it is a disease which has assumed epidemic form in the state. Whether, in the epoch of Asoka, these particular tracts were known as 'Banga' or 'Bangal' is a dead-end debate which illustrates the disease.

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DIRECTOR

NEW DELHI

Double-Talk on EFF

BM

While within the country the government has been trying to give the impression that in view of the high level of foreign exchange reserves and the general success of the economic reform programme it was no longer in a hurry to negotiate an EFF arrangement with the IMF, finance minister Manmohan Singh's principal task during his recent visit to Washington was to convince the IMF of India's need for an EFF credit and to clear the way for formal action for securing it.

THE Congress(I) government at the centre has survived fairly easily what should really have been a trying budget session of parliament. This has happened in spite of the intense factional tussle within the ruling party a stark display of which was found at the Surajkund session of the party midway through the parliament session and which has not since looked like subsiding in spite of the crude efforts of the dominant faction to assert its supremacy. The flow of foreign credits and direct investment has become uncertain and the government's foreign support base is often seen to be wobbly. If the minority government has still survived, it is because the opposition parties in parliament are also afraid of the government falling, which would result in the holding of general elections and testing of the mettle of these parties. In the closing stages of the budget session, the opposition parties did combine behind the motion for the impeachment of justice Ramaswamy. Though the position of the ruling party on this issue was very awkward, the opposition parties still failed to secure the passage of the motion. To frustrate the opposition bid the ruling party leadership was willing to risk the odium of shielding those in high places found to indulge in financial malpractices.

A necessary concomitant of this state of affairs is that while the government's political and moral authority is getting weaker by the day, there is allround deterioration on all fronts—economic, social and political. While speculators and black money operators are ruling the roast in the market, infrastructural bottlenecks are worsening. Crime is on the rise. While chauvinistic postures are struck with the focus on Pakistan, the readiness to succumb to G7, particularly the US, pressures is becoming palpable. It is not surprising that the government is being called upon to take satisfactory measures in advance of foreign credits being disbursed even after they may have been sanctioned. Similarly, foreign investments are being held back even after they may have been approved so that the investors' conditions and terms are fully and speedily implemented by the government. In this process the government has become more vulnerable to foreign pressures. Witness the agreement to provide sovereign guarantees for high returns on foreign investment and the encouragement of multinational corporations to take over even existing Indian business enterprises, in both the public and private sectors. Witness also the application of the Special 301 clause of the US trade law and the lackadaisical response of the government.

The issue of so-called trade-related intellectual property rights and amendment of India's patent law to enable multinational corporations to extract super profits from the sale of products under patent protection in such areas as drugs and processed foods is becoming an increasingly contentious issue. The US administration has queered the pitch by again invoking Special 301. The US has already withdrawn preferential tariffs for some Indian goods exported to the US. Commerce minister Pranab Mukerjee has stated that the government's stand was not to engage in bilateral negotiations with the US but to negotiate the issue of intellectual property rights under the GATT. However, as a statement signed by as many as 250 MPs last year had pointed out, "the worst aspect of the GATT Agreement/Treaty is that the role of parliament in law-making will be substantially curtailed". The MPs had therefore demanded that "to protect the sovereignty and dignity of the Indian people and parliament, we seek that the government place a resolution to reiterate the need for the ratification by parliament of international treaties entailing the introduction of new legislation and wholesale amendment of existing legislation and incurring financial costs. This will ensure the Indian people and parliament that the debate at the GATT treaty ratification stage will not be a mere formality."

There is clearly need for working out the government's approach in the GATT round as well as on Special 301. The government cannot remain content with procedural objections to Special 301 and let a clear enunciation of its policy on intellectual property issues go by default. There are serious misgivings that the minority government might succumb to pressure surreptitiously in closed-door negotiations not only under GATT but also bilaterally with the US.

The government's position on seeking fresh financing from the IMF too has been ambiguous. Before the finance minister went to the just-concluded meetings of the IMF and World Bank at Washington, there was excited talk that, with the rise in foreign exchange reserves, it may no longer be necessary to go for a loan under the EFF with its stiff conditionalities. The idea obviously was to create the impression that the government had regained its initiative to bargain with the foreign creditors and the international financial institutions. The same message was sought to be conveyed by the assertion, repeatedly made, that the phase of crisis management of the economy, especially on the external front, was over. All this was intended to impress public opinion in India when the government's political credibility had touched an extremely low level and the truth came out in Washington that the government's request for an EFF loan of $ 9 billion over a period of three years has been pending before the IMF management for consideration for quite some time, in fact as an extension of the stand-by credit arrangement. One of the tasks before Manmohan Singh in Washington was to explain the governments need for this credit and clear the way for formal action for securing it. There is much satisfaction in finance ministry circles that the managing director of the IMF responded favourably to this position. When the deal on the EFF is clinched is, however, something to be watched. There is going to be an interval between the drawal of the final instalment of the stand-by credit of $ 2.3 billion and the sanction for the EFF loan. Such a gap was not originally envisaged and the stand-by credit was to be smoothly converted into the EFF. Something has obviously gone wrong. Snags have evidently developed in the implementation of the IMF-stipulated reform programme.

The IMF-World Bank combine, it appears wants India in a corner where there is no scope for any deviation from the combine's standard policy prescriptions. This position appears to have emerged after the review of the government's performance carried out by an IMF team in March this year. A probation period has evidently been specified for the government before negotiations for the EFF loan can be resumed, probably early next year. The World Bank, working in concert with IMF, may also sequence on the same basis the disbursement of its own loans as well as the loans it arranges from foreign governments on a bilateral basis. The annual meeting of the Aid India Consortium in June or July this year may thus pose ticklish problems for India's aid diplomats. How far the government can go to satisfy the conditions laid down by foreign creditors and investors when it is on slippery political ground domestically is a moot point.

It has been noted in this context that the government had to buy the smooth passage of the finance bill through parliament by pandering to a wide variety of vested interests. The once-aggressive economic reformers in the government have lost much of their elan. The government had found it necessary to give away as much as Rs 4,500 crore at the time of the presentation of the budget for 1993-94 and follow this up with an additional concessions of Rs 429 crore before the passage of the finance bill could be secured.

The income tax exemption limit has been raised from Rs 28,000 to Rs 30,000, the earlier categoric stand of Manmohan Singh against such a change notwithstanding. In addition, the ceiling on tax deductions in respect of dividend and interest incomes has been raised from Rs 7,000 to Rs 10,000. The notion of widening the social base of direct taxes has been found to be too difficult to enforce. The subsidy on phosphatic fertilisers, abolished at the time of presentation of the budget, has been reintroduced to buy peace with the farm lobby, in particular the Ajit Singh faction in the Lok Sabha. The raising, step by step, of the output limit for excise duty exemption for small industry units from Rs 7.5 lakh to Rs 30 lakh is another case in point. Adjustments in customs duty have had to be made in response to business interests engaged in import-intensive manufacturing. It is not surprising that the sharp bearish pressure on the stock markets has somewhat eased after the passage of the finance bill. Manmohan Singh's assurances that he would implement the Chelliah committee's report on corporate taxation in the course of the current year itself seems to have had an impact. That Raja Chelliah has been inducted into the finance ministry as fiscal advisor with the rank of minister of state is intended to add weight to these assurances.

Reduction in the fiscal deficit of the government from 8.5 per cent of GDP when the reform programme was launched to 6.5 per cent at the end of 1991-92 and 5 per cent in 1993-94 is, however, a critical parameter on the basis of which the IMF/World Bank keeps a close watch on the government's performance. The first year, 1991-92, saw a strong fiscal correction by halting of all development and sharply deflating the economy. Last year, 1992-93, when the government was found to be lagging behind in the reduction of the fiscal deficit to the agreed level, the IMF actually withheld the release of an instalment of its stand-by credit. The government subsequently made good the deficiency and the flow of IMF and World Bank credits was resumed. The problem is that the default in respect of achieving the fiscal deficit target in 1992-93 and 1993-94 has now become glaring. While the government is unwilling to raise additional revenue to meet its current expenditure, it is also finding it difficult to contain the increase in expenditure. This is attributed to the political constraints which the minority government must reckon with in order to survive. The government no doubt hopes that the World Bank/IMF combine and its political masters will appreciate this position and allow greater accommodation in implementing the agreed structural adjustment programme. It will be interesting to watch how far this hope fructifies. The fact must be reckoned with that while the IMF/World Bank may continue to give assurances in public of full support for the government, the actual bargaining is bound to be tough. Significantly in this context, IMF/World Bank spokespersons have been emphasising that India's foreign debt has already reached a high level and that India's external financing needs will now have to be met by 'non-debt' financing, a euphemism for foreign direct investment. Hence the stress in policy adjustments may be expected to shift to facilitating the operation of multinational corporations on specially favourable terms.

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KASHMIR

India Turns Clock Back

Gautam Navlakha

The decision to impose army rule in Kashmir, in effect if not formally, represents a tragic turn of policy, as much for India as for the people of Kashmir. Step by step the government has been moving in precisely the direction which the BJP and the Hindu chauvinists have been urging it to take.

IF the government of India was toying with the idea of preparing the grounds for a settlement in Kashmir, the exercise was aborted even before it was tried out seriously. The much trumpted appointment of former army chief K V Krishna Rao as governor on March 11 along with a new team of advisors and a shake-up in the senior echelons of the security forces was supposed to signal this. This was to be accompanied with a financial package of nearly Rs 1,000 crore to tide over the liquidity crunch faced by the state. It was believed that such a package will help revive economic activity and thereby break the vicious cycle of curfew/bandh. The third element of the new initiative in the state comprised granting amnesty to all those against whom there are no serious charges, and who may be willing to give up terrorism as a vehicle to seek redressal of political and other grievances.

The financial package is the relatively easier issue to resolve. But the administrative shake-up took some time to initiate. This indicated sharp differences in decision-making circles between those espousing continuing the militaristic line and those who give relatively more weight to administrative-political initiatives. Some of the steps that are still being talked about, albeit with far less conviction, become important. Re-establishment of the administrative structure to make it not only functional but responsive to the needs of the people, checks and balances to end the excesses of the security forces and provision of avenues for the people to ventilate their grievance are some of the suggestions that were bandied about. Any enlightened government would consider the above measures as part of its normal functioning. However, coercion has been the central plank of the government's policy towards Kashmir. And the slightest move away from this has been considered a dilution of the government's commitment to fight 'secessionism'. As a matter of fact it is this approach that has ensured a groundswell of support for militancy, which touched new heights when Jagmohan entered the valley in January 1990.

There are, however, indications of a wider willingness to question the existing policy towards Kashmir. First, after December 6 and the pogroms in Bombay, Bhopal, Surat, etc, the Sangh 'parivar' has lost some of its gloss. This is reflected in the expose of the temples-have-been-destroyed-in-Kashmir lie pedalled by Sangh 'parivar' by some large circulation newspapers and journals. For three years neither the government nor the media had bothered to investigate this matter. This was an important propaganda issue raised by the BJP during two elections. Second, it is no longer possible to whitewash the communal prejudices of the security forces and the administration. A section of the intelligentsia is willing to discuss and give sympathetic hearing to allegations against the security forces who are no longer treated as sacred cows. Third, international pressure, in the shape of criticism of India's dismal human rights record as well as of proposals from India's international creditors for resolving the India-Pakistan dispute over Kashmir, have compelled the government to appear to be moving towards political initiatives. The statement of the US deputy assistant secretary of state, John Malott, to a US Congressional Sub-committee that "any solution... must take into account the views of the Kashmiri people themselves" and that the US is willing to act as a mediator are the strongest possible hints of the US administration's intentions. In this connection, the recent discussion on Kashmir organised by the Rajiv Gandhi Foundation may be regarded as a semi-official exercise undertaken by Indian and US academics and other former officials, pointing towards a re-thinking in some sections of the government.

Hardline Approach

However, while one welcomes any lessening of the terror under which Kashmiris have been compelled to live, be it through an administrative reshuffle or restoring the primacy of the civil administration, there is need to be cautious. For one, it is high time it is acknowledged that anti-India sentiment has hardened in Kashmir. This cannot be brushed aside as the result of a Pakistani conspiracy and disinformation spread by militants. Militancy is indeed only an expression of alienation and anger. For another, whatever sensitivity the government of India has shown towards human rights violations in Kashmir has been directly related to outside pressure. Tragically, US and western preoccupation with 'Islamic fundamentalism' spreading across the Central Asian Republics dilutes the pressure on India for complying with constitutional and international norms of civilised behaviour, irrespective of whether Kashmiris are considered citizens or enemies.

The noticeable thaw in some sections of the Indian intelligentsia is matched by a hardening of positions in other circles. Hardly a voice is heard in parliament protesting the disempowerment of Kashmiri people or denouncing the repression there. In the event, the recent decision to hand over operational control of Kashmir valley to the army is an unmistakable sign of a step up in the militarisation of the valley.

Officials claim that the decision to hand over the valley to the corps commander J and K, Lt-General Surinder Nath, and Srinagar to the BSF was to get around the problem of co-ordination among the security forces. However, the decision was accompanied by deployment of additional two divisions by the army in the valley for ground level operations, including cordon and search operations. What is more, while the advisor to the governor, Lt-General Zaki, will co-ordinate security measures, day-to-day control will be exercised by the corps commander who now takes over the overall command of all operations. All but in name Kashmir valley is under military rule. At the same time, a so-called multi-media cell in New Delhi which is headed by a senior bureaucrat has proposed banning publication of 'provocative' statements and visual material by 'outlawed' organisations. It is argued that this will curb the influence of the 'secessionists' over the Kashmiri press. This is only a convoluted way of bringing the Kashmiri press to toe the government of India's line. It is instructive to note that these changes are all in line with the demands voiced by the Sangh 'parivar'.

Officials claim that the hardline approach towards militancy has shown itself to be successful. They 'confide' that militants are on the run and some of them are suing for peace. The 'success' of Punjab is flaunted to buttress the claim that the same can be achieved in Kashmir. This, in any case, was also the thrust of the Punjab chief minister at the Faridabad AICC session when he argued against any dialogue with the militants or any relaxation of the repression.

The government of India has all along insisted that India is fighting a proxy war in Kashmir. In turn this leaves the government undecided about the status of the Kashmiris, i e, are they to be considered citizens or not. All avenues for redressal of grievances have been closed, reports of excesses of security forces are routinely dismissed as disinformation, and the constant harping on Pakistan and Islamic fundamentalism lends credibility

to the view held by Kashmiris that it is their Muslimness that sets them apart. Indeed this perception has gained ground with the demolition of the Babri Masjid and the anti-Muslim pogroms across India. It is this psychological and emotional state that has pushed the demand for self-determination to the forefront.

Ethnic Cleansing?

While the government's response is to suppress this by force, more chauvinistic elements within Indian society have been going a step further by demanding 'demographic Indianisation' of the valley, which means settlement of Hindus there. This insidious demand remains on the agenda of the RSS 'parivar' and was confirmed by the RSS rally in Delhi on November 8 last year where the demand was made for settling retired defence personnel belonging to Dogra community in the valley.

As if this was not enough, union home minister S B Chavan informed parliament on February 26 and March 1 that the government has 'offered' the Kashmiri Pandits a 'safe zone' in any part of the valley of their choice. Since a section of the Kashmiri Hindu refugees have been demanding a 'homeland' for the Kashmiri Pandits north and east of Jhelum, i e, covering more than half of the valley, it is implicit in the government's offer that they are moving towards vivisection of the valley along religious lines just as demanded by a section of the Kashmiri Pandits. There is another danger in this 'offer'. Since 'Hindutva' is described as the *sine qua non* of Indianness, the union home ministry's 'offer' could well become the first step toward realising some sort of 'ethnic cleansing'. Little by little the government is showing that its understanding of the Kashmir problem and solution are not very different from that of the Sangh 'parivar'.

In the last 38 months the widespread repression has affected every section of the population in the valley. For instance, it is known that for every militant arrested, more than 20 persons are 'interrogated'. Out of those arrested, how many have been arrested for being terrorists, and how many for the vague charge of 'abetment' is not known. Also not known are the routine arrests, torture and 'deaths in cross-fire'. Reports of custodial deaths under 'Operation Tiger' are legion by now. Even senior serving officers express helplessness when approached with individual cases of those raped or missing. They frankly say that they have no jurisdiction over the security forces. This writer has personal experience of approaching the minister for internal security with a list of 53 persons arrested since 1990 and whose whereabouts are unknown despite the high court serving notices on the authorities. Nothing has been heard of from the minister.

All allegations of rape are dismissed as disinformation by the militants to malign and demoralise the Indian security forces. The havoc wrought upon the people of Sopore by the BSF saw them refusing to accept the compensation offered by the government. The burnings and killings at Lal Chowk in Srinagar which resulted in 280 deaths have been forgotten by the administration. The inquiry headed by the divisional commissioner of Srinagar was boycotted by the people. The mysterious killing of H N Wanchoo, trade unionist and human rights activist in the valley, who had meticulously compiled the list of custodial deaths, and the assassination of Abdul Ahad Guroo, a leader of the JKLF, raise disturbing questions about the role of the security forces. And now the death in BSF custody of a J and K policeman has brought out the ground reality of 'us' and 'them'.

From Bad to Worse

All in all, the government of India is caught in a web of its own making by stonewalling every possibility of a solution within the bounds of the Indian Constitution in the past and persisted with its policy of singling out militancy as the main issue to be tackled. The government's refusal to talk to anyone without first giving up arms amounts to asking the Kashmiri people to surrender to the Indian government's diktat before negotiations can begin. Ground reality in Kashmir is that the demand is for a referendum and after the sacrifices of the last three years, there is a sullen determination that there will be no turning back. The impasse thus created suits the purpose of those sections in India who advocate strong-arm methods as the only way out. But more than three years of trying to stamp out rebellion has only seen it grow. While normal life is completely dislocated, the only link the valley now has with India is the Indian military presence. From postal services to tax collections and from the local administration to the judiciary, nothing functions anymore. The nature of present link which pits Indian army against Kashmiri people leaves Kashmiris with no option but to be convinced that their very survival is at stake. Even if militarily India is in control of Kashmir it has lost it in every other way.

One cannot fault Pakistan for taking advantage of the discomfiture of the Indian government. Soon after thwarting the third attempt at crossing the line of control, the Pakistan government reminded India about its increasing difficulty in preventing Kashmiris from crossing the line of control and appealed to UN to prevail on India to realise the gravity of the situation and to move to resolve the dispute. The Indian government has shown much enthusiasm for involving outside powers by complaining about Pakistan and lately lobbying to have the US declare Pakistan as a 'terrorist state'. Internationalisation is thus in-built in the situation, no matter how India and Pakistan look at Shimla Pact.

Consequently, after more than three years as the situation turns from bad to worse, the cost of maintaining Indian control will rise in terms of men and material. There are no longer any escape routes available in the form of elections or appointments of political advisors so long as the main issue of alienation is sidelined. Policy-makers are unable to comprehend that popular support for militancy refuses to decline because there is no solution in sight which comes anywhere close to popular aspirations.

Enlightened self-interest, therefore, demands that the government withdraw the *carte blanche* given to the security forces and prosecute the personnel of the security forces as well as the administration for crimes committed. If the Pakistani army can sentence to death an army major and send 13 others to life imprisonment for the killings at Tando Bahawal (Sind) last June, what makes the Indian security forces so special that they have to be treated with kid gloves? It should also be clear by now that militancy must be fought politically by weakening the bond between the masses and the militants. Unless justice is provided, fear and distrust will not end and support for militants will continue. Thus dismantling the regime of terror is the precondition for any solution. This alone will restore the political process and allow healthy contention between divergent objectives of various political groups within Kashmir to come to fore. This would also help preparations towards organising a trilateral conference among the governments of India and Pakistan and Kashmiri leaders essential for resolving the issue.

There is an urgency behind this. It needs reiteration that chauvinism and anti-Muslim prejudice all over India found sustenance in lies about destruction of temples in Kashmir or in ignorance of the facts of Kashmiri Pandit migration from the valley which actually accelerated after Jagmohan took over in January 1990. This should act as a reminder that if the policy of attrition is not rolled back, the consequences point in the direction of a xenophobic build-up which will pave the way eventually for 'demographic Indianisation'.

In some ways time is propitious for a new tack. Not least because the organised face of Hindu chauvinism in India can easily be put on the defensive. Also international pressure on India to take corrective measures is bound to mount because of the US-western preoccupation with the spread of Islamic fundamentalism. The joint US-Russian 'study mission' contends that "US and other western countries are wary of Kashmir's potential to explode into large-scale war and its entanglement with the spread of Islamic extremism". In that sense, the attempt at foisting leaders and striking deals with Farooq Abdullah deserves notice insofar as even the National Conference has been compelled to denounce state terrorism and has demanded that Amnesty International be allowed to visit Kashmir valley.

Panchayati Raj and Early Warnings of Disasters

James Manor

Panchayati raj institutions are not only a virtually foolproof source of early warnings about potential calamities, but also an effective means of ensuring that such warnings do not go unheeded.

I

JEAN DREZE, Amartya Sen and others have rightly called our attention to the role that a free press can play in providing early warnings of drought, flooding, food shortages, and outbreaks of disease which can mushroom into full-scale calamities if left unattended.[1] Indian journalists have repeatedly distinguished themselves on this front, but their counterparts in most of Asia and Africa are too constrained by government controls to achieve much.

All of this deserves to be stressed in order to encourage other nations to follow India's example, but we also need to pay attention to Indian journalists' own view of their effectiveness at providing early warnings. Reporters in northern Karnataka, some of whom have raised the alarm when calamities loom, stress two points. First, they are acutely aware of their own limitations as sentinels. Second, they believe that strong panchayati raj institutions of the kind that existed in Karnataka between 1987 and 1991 provide a far more reliable source of early warnings than journalists can. They emphasise, however, that such institutions can only be effective *if they are strong*. This latter point is immensely important just now, as various state governments are preparing legislation to bring their panchayati raj systems into line with the new constitutional amendment.

II

The journalists argue that their conditions of employment make it difficult for them, and for their counterparts in other regions of India, to serve as a dependable early warning system. Most reporters in northern Kamataka, much of which is prone to droughts and outbreaks of related illness, are stringers for Bangalore newspapers. Stringers receive around Rs 250 per month, which means that they can only give part of their time to the job. The need to commit themselves to other employment makes it difficult for them to move very far or very often outside the district headquarters towns. Since most of them have—at best—a motor scooter for transport and no allowance for hiring other vehicles, their ability to roam widely within their districts (some of which are very large) is further limited.

This seriously undermines their effectiveness at discovering and investigating emerging calamities, most of which arise in rural areas far from the main towns. Even the representatives of the *Deccan Herald/Prajavani* newspaper group, who are proper 'staff reporters' with full-time salaries, have difficulties with transport. Given this and the fact that most publishable stories emerge from the district headquarters, reporters tend only rarely to venture into the remoter parts of their districts.

These journalists also tend not to look beyond the boundaries of their districts, since by doing so, they trespass on the bailiwick of a colleague working for the same newspaper. This causes yet more problems, since the full seriousness of a drought or an outbreak of disease may only become apparent when district borders are crossed. Only one journalist in the whole of northern Karnataka, M Madan Mohan of *The Hindu*, is encouraged to range over more than one district as part of his normal routine. This has made it possible for him to deliver early warnings on several occasions, but he still insists that the press does not provide a satisfactory safeguard against disasters. The editors of other newspapers very occasionally encourage their field representatives to cross district borders, but they also stress the inadequacy of this as a source of early warnings.[2]

There are of course local papers in most districts, usually in the headquarters towns, but they do little to strengthen the watchfulness of the press. Most of them tend to print revised versions of stories taken from larger papers published in the state capital, together with a few unadventurous local reports. Some exist mainly to extort money from prominent local people, by threatening to publish embarrassing stories about them, but many are too under-informed even to accomplish that. One well-informed source insists that most of the 36 newspapers published in Mysore district lack the resources even to have learned of an event such as the recent atrocity against scheduled caste people in Nanjangud taluk of that district, until they read about it in papers published in Bangalore—and Mysore has a far livelier press than most districts in northern Karnataka.

There are exceptions to this uninspiring picture, local newspapers and reporters that have good enough connections to get wind of a drought or flood or outbreak of disease. But reports on such things in district newspapers tend not to produce action from civil servants at the district level. For that to happen, the stories must appear in papers published in the state capital, since it is there that district-level officials' superiors, who have the power to censure them, sit.

Even when bureaucrats are directly informed by citizens of impending calamities, they do not invariably take quick action. A press report on the recent drought in Malkangiri district of Orissa, for example, stated that an elder from one village in which about 25 families were starving had alerted the authorities early on, but despite this, no official had visited this and neighbouring villages for three months.[3] Journalists in northern Karnataka say that to ensure that such alarms receive prompt responses, some means must exist to put political pressure on civil servants. Dreze and Sen have also made this point.

We might expect state legislators to play a role in informing higher authorities about emerging calamities and in pressing for action. But reporters argue forcefully, with abundant illustrative examples, that most MLAs spend too much time outside their constituencies, politicking in the state capital or elsewhere, to do this effectively. These journalists regard themselves as far more dependable watchdogs than legislators.

There was a time, many years ago, when political parties—especially the Congress—had organisations in the districts that were sufficiently strong and penetrative to function well as information-gathering instruments. But the decay that has overtaken the organisations of most political parties in recent times makes it impossible for them to provide much in the way of early warnings. Reporters have even less faith in party workers than in civil servants or legislators.

III

These same reporters argue convincingly that this unhappy state of affairs changed dramatically when strong panchayati raj institutions—zilla parishads and mandal panchayats—existed in Karnataka between 1987 and 1991.

Before the creation of these institutions, the main occasion at which legislators and bureaucrats conferred on conditions in rural areas was the meeting of the district development council, every three months. Information at these meetings mainly flowed in one direction, from the deputy commissioner to the MLAs. The legislators made a few representations which had been passed to them by prominent constituents, but they mostly asked the

DC questions about how things were and what was being done at the grassroots, and he (or occasionally she) would brief them Reporters who observed these en counters may have doubted the extent of their own understanding of the rural scene, but they knew enough to recognise both that the deputy commissioner's responses were 'cursory' and that most MLAs were too ill informed to see how inadequate his comments were. One result was that the drought relief programme in those days existed mainly on paper

Journalists do not judge the MLAs too harshly for their 'blissful lack of awareness Their constituencies are, after all, quite large A sizeable district like Dharwar, for example, has only 15 legis lators with rural constituencies And long absences in Bangalore (an overnight journey from Dharwar) are an occupa tional necessity for these ML As

When the Panchayati Raj Act came into force, however, things changed The zilla parishad had 58 elected members, all from rural areas Since nearly all of them lived in their constituencies, they kept in touch not only with ordinary villagers but with members of the mandal panchayats who in Dharwar district numbered no less than 3,985 (In the entire state, there were 887 elected members of zilla parishads and 55,188 on mandal panchayats)

With such good information gathering networks in their much smaller consti tuencies, zilla parishad members were ex tremely well versed on conditions in the villages The new act gave them sufficient powers and status to encourage them to be assertive in council meetings, which were always well attended and which oc curred once each month [4] Indeed, they were if anything excessively vocal and critical of alleged administrative failures Press reports from across the state are lit tered with references to 'stormy sessions', 'noisy scenes', etc, at these meetings Hardened journalists in Dharwar district found it 'thrilling' to attend these, not least because of the avalanche of infor mation on grassroots problems that emerged on nearly every occasion [5]

In these circumstances, civil servants and representatives of Bangalore news papers learned early and in great detail about water shortages outbreaks of disease and flooding in rural arenas The formidable powers which members and elected presidents of the zilla parishads enjoyed gave them the clout to pressure bureaucrats into prompt action, and ins pired in them a willingness to badger reluctant officials until something was done On those rare occasions when a president was slow to respond to reports of distress, the strong presence of opposi tion party representatives on the zilla parishad (and it mattered not whether it was Janata Dal or Congress(I)) guaranteed that he too would be hounded into action MLAs and sometimes MPs (all of whom were non-voting members) attended monthly zilla parishad meetings, and every three months meetings were at tended by a state government minister, so that detailed information easily found its way to Bangalore, even if it was omitted from press reports

It is not surprising, then, that mofussil journalists regard strong panchayati raj in stitutions not only as a virtually foolproof source of early warnings about potential calamities, but as an effective means of ensuring that such warnings do not go unheeded

These journalists have, however, issued their own early warning about the future of panchayati raj institutions now that the new constitutional amendment has come into force They insist that these institu tions will only be effective at raising the alarm about drought, epidemics, flooding and the like if elected members are given enough powers over bureaucrats and spen ding to energise them If state-level politi cians, who are naturally reluctant to erode their own influence, do not extend signifi cant power to these bodies under the laws now being revised, then panchayat mem bers will become demoralised and passive. Early warnings will not emerge from such people The cost in human terms, when avoidable calamities strike rural com munities, will be high

Notes

1 See for example, J Dreze and A Sen, *Hunger and Public Action* (Oxford, 1989), Chapter five J Dreze and A Sen (eds), *The Political Economy of Hunger*, Volume two, *Famine Prevention* (Oxford, 1990), especially Chapters two and three, by Dreze

2 I am especially grateful to M Madan Mohan of *The Hindu*, Hubli, E Raghavan, associate editor of *The Times of India*, Bangalore, M Abiraj, *The Times of India*, Hubli, and M B Maramkal, *The Times of India*, Mysore and formerly Gulbarga for information on these matters, provided in interviews in April 1993

3 UNI report, published in various newspapers on April 7, 1993

4 In addition each zilla parishad had nine standing committees which met each month, and considerable information on grassroots problems emerged there too. The press was not invited to these meetings, as it was to zilla parishad plenary sessions, but news of the proceedings was often passed to reporters by members who wanted their views aired more widely

5 These comments are based on discussions with dozens of former presidents and mem bers of zilla parishads district level bureaucrats and journalists, in Dharwar, Mysore, Uttara Kannada, Mandya, Banga lore and Kolar districts The quotation comes from an interview with M Madan Mohan, Hubli April 5 1993

Face of Dowry in Orissa

Biswamoy Pati

The demand for dowry and the harassment of married women by their husbands and in-laws is a multi-caste and multi-religious phenomenon in Orissa Only a strong women's movement can counter this widespread social practice

VERY few people realise how violent Oriya society is *vis a-vis* women This is something that can be easily proved statis tically with the state topping in dowry deaths which have increased from two to 63 in the 198[7] 91 period Incidents of rape have similarly increased from 184 to 285 by 54 9 per cent in this period There has also been a decline of the female popula tion in the decade 1981 91 Thus, the male female ratio which was 1,000 981 in 1981 has gone down to 1,000 971 in 1991

One reads and hears a lot about the kerosene stove accidents'—which have assumed alarming proportions since the 1980s—resulting in the deaths of women, as well as of the terror inflicted on them in order to extract dowry from their parents after their marriage In this piece we focus mostly on those who have sur vived— given a discourse which allows the 'golden egg laying hen' to live—and one case of bride-burning What we present are oral testimonies brought before the Utkala Mahila Samiti They shatter patri archal myths which seek to situate dowry as a girl's share of parental property, or as a daughter's life insurance policy secured by her parents at the time of her marriage The case of bride-burning we cite is based on a local newspaper report (*Sun Times*, November 28, 1992) It relates to a Muslim girl and her husband and demonstrates the multi-religious nature of this phenomenon

Case I *Sabita Samal (d/o Narayan Lenka, w/o Rabindra Samal, Patkura, Cuttack district)*

When the country celebrated independence day last year (1992), Sabita Samal's day represented a direct antithesis to it Sabita's father, Narayan Lenka, had got her married in July 1991, paying a dowry of Rs 28,000 in cash Besides, some gold and silver ornaments and other things worth Rs 48,000 were also given. Narayan Lenka, a fire-constable had to sell off his

land for Sabita's marriage. Sabita's husband, Rabindra Samal, worked at the Bhubaneshwar Development Authority (BDA) as a temporary worker. Prafulla Nayak (Rabindra's brother-in-law), an overseer in the BDA, had helped him secure the job. The young bride got caught in a vicious network of dowry and bribery. Her husband began to beat her and abuse her regularly. He took away all her ornaments—after all, Prafulla Nayak had to be 'paid' for securing him a job, and, also to make it permanent. Her parents-in-law never intervened to help Sabita and she had to go through various things, including a session with a witch-doctor.

After a point Sabita could not take it any more. She was forced to escape to 'freedom'. Since her father was posted at Kendrapada, she lived alone in their village. Taking advantage of this her husband, a cousin of his and Prafulla Nayak ransacked their house. They took away Rs 12,000 and Sabita with them. Although this happened in front of the villagers, nobody came to her rescue. Sabita was taken to Prafulla Nayak's residence at Bhubaneshwar. Then began her trauma of August 15, 1992.

Sabita was gagged and beaten by Nayak and his two college-going sons. They twisted her arms and broke her hand with a rod. They removed all her ornaments. Nayak's 16-year old daughter also joined in to give Sabita electric shocks. She was forced to sign on a blank piece of paper. Finally, a rod was put on the lower part of her abdomen and the young men stood on it. Sabita bled profusely and lost consciousness. The 'carnival' was at last over. Thinking that she was dead they dumped her at a deserted place about a kilometre away. Late at night it rained and Sabita regained her senses. As she was found shivering by an 'inspection team' from the Nayak household, she was taken to the Bhubaneshwar hospital. Here the doctors were told that she had fallen from the roof. Her broken hand was put in plaster and she was discharged.

Sabita's father reached Bhubaneshwar when he heard about these events to have a last glimpse of his daughter. Most people in their village were certain that Sabita was dead. At this stage Nayak spread the story that Sabita had stolen eight 'bharis' of gold from their house and had tried to escape with it; that she was mad, etc.

Sabita and her father reached the Sahid Nagar police station and lodged a complaint on August 18, 1992. The inspector, Bijayalaxmi Acharjya accused her and her father of conspiring and suppressing facts, viz, that she had 'misreported' an accident. Ms Acharjya stripped her father of some money he carried in his pocket. Subsequently, she demanded Rs 500 to go to Sabita's and her in-law's village to make enquiries. No police action seems to have been taken till October 12, 1992.

Case II: Chapala Nayak (d/o Kantha Nayak Patkura, w/o Akshaya Behera, Barchana, Cuttack district)

Chapala Nayak was married off for a dowry which included Rs 5,000 in cash and Rs 20,000 in the form of gold ornaments. Akshaya Behera, her husband had a rice business and was subsequently employed as a driver. The dowry was, in fact, handed over during the marriage. Soon after her marriage her in-laws wanted a 'bhara'—a customary gift—for Sabitri 'amabashya' (an eastern Indian parallel of the Karwa Chauth). She was beaten up for this and the 'bhara' was subsequently sent by her parents.

When Chapala was pregnant she was taken back by her father. However, her husband persuaded her to return. They spent some time happily and were blessed with a son. After about two months her husband wanted a TV set from her father. Since she refused to comply she was stripped of all her belongings by her husband. These were sold to buy a TV set.

After this Akshaya seems to have become attracted to another woman and his behaviour *vis-a-vis* Chapala worsened. She was regularly beaten by her husband and her in-laws. They even tried to give opium to her child and kill him. Once when her husband was away her in-laws beat her mercilessly. Fortunately, the villagers intervened and restrained them.

Chapala's father came over to see her and was persuaded to take her along with him for a month to 'cool' things. Her husband went over to meet her thrice, after which she was conveniently forgotten for a year. Her father had to go over to her in-laws and work out a 'compromise' to send her back. However, when Chapala returned she was kept segregated by her husband and her in-laws and was exposed to systematic terror. With the help of some villagers, Chapala collected a medical certificate to prove that she had been beaten severely. Then she filed a FIR at the Barchana police station. Attempts made by the police to talk to her husband and father-in-law proved to be counter-productive. She was tortured even more. Consequently she was forced to return to her parents. Although more than a year has passed, nothing has happened and, she is too scared to return to the 'hell' she has escaped from. She waits for the day when she will be given a maintenance allowance for herself and her child.

Case III: Namita Swain (d/o Padmacharan Swain, w/o Narendranath Swain, Cuttack district)

Namita was married off on June 30, 1988. Her father, a 'petty worker' in the Cuttack Medical College raised a huge amount, which was given over as dowry. This included Rs 15,000 in cash, five 'tolas' of gold and Rs 50,000 in the form of gifts.

Soon after marriage, Namita's husband 'discovered' that she was 'ugly' and 'dark'. She was told that he had married the dowry not her. Namita was asked to get another Rs 50,000 and tortured for some time. After this her father-in-law took her to Cuttack (July 16, 1988) and left her there asking her to return with Rs 50,000. It was impossible for Namita's father to raise the money. At this juncture her husband wrote a letter to her father in which he threatened to burn her.

After a year a few relatives of her husband came to Cuttack. They asked Namita to go immediately to her husband who was reported to be very ill. Namita reached her husband's place, only to realise that this was a lie. She was asked if she had brought the money with her. She told them that given her father's critical financial position he was in no condition to raise the money. She was tortured for her failure and her father-in-law repeated the earlier ritual of taking her and leaving her at Cuttack, and, asking her to return, if at all, with the money.

On September 7, 1991 Namita heard that her husband had married for the second time. She has since gone to court and waits for a maintenance allowance.

Case IV: Priyambada Mishra (d/o Gyaneshwar Rath, w/o Shibashankar Mishra, Puri district)

Priyambada was married on September 24, 1992. Her husband was posted at Bangalore. Theirs was a small family and consisted of her mother-in-law and her two sons. Her mother-in-law got a pension, since her late father-in-law had been a government servant. These features proved to be 'attractive' to Priyambada's parents. The dowry demand included Rs 40,000, a scooter, TV set and five bharis of gold. Four bharis of gold, Rs 13,000 in cash, 10 bharis of silver and certain other things were given.

After her marriage these things were forcibly taken away from Priyambada. When she reached Bangalore she realised that her husband was a driver of transport vehicles, not a supervisor in a bank, as had been claimed before their marriage. Her neighbours at Bangalore were very kind to her and it was from them that she learnt that her husband planned to murder her. In fact, they advised her to go back to her parents.

Priyambada returned home with her father and her brother who had gone to visit her. Sometime after this she delivered a baby. When her brother informed her mother-in-law about this she was very abusive and packed him off saying that this was not possible as her son had not been married in the first place. Soon after she rented out their house and went away. In the meanwhile Priyambada's husband was transferred to Hyderabad.

When Priyambada reached Nayagarh with her parents and her brother and

found tenants at her in-laws' place, they decided to stay on. While staying there, the local chairman's wife came over to meet her. She tried to poison her child and left after abusing and threatening her. She returned the next day with goondas and Priyambada's brother-in-law. They broke into the house and manhandled Priyambada and her father. Priyambada and her father filed a FIR at the Nayagarh police station. They have also met the chief minister of Orissa. At present both Priyambada and her child live with her parents waiting for justice.

Case V: Anima Das (d/o Panchkodi Pati, Bhubaneshwar, w/o Ashok Das, Cuttack)

Anima was married to Ashok Das on January 26, 1989. Before her marriage Ashok's parents had wanted a scooter, a TV set and a refrigerator as dowry. Anima's uncle had flatly refused this as her father (a retired government servant) was in no position to meet this demand. In fact, he had even told them to cancel the marriage proposal if they were serious about the dowry. Anima's would-be in-laws seem to have changed their position and the marriage was solemnised at Bhubaneshwar.

After Anima reached Rourkela (where her in-laws resided) her mother-in-law began comparing the dowry brought by Ashok's brother's wife. She was abused and ill-treated by her husband and her in-laws. Ashok left for Cuttack where he taught at a school and Anima stayed on, being reduced to a 'maid' of the household. One day she was beaten severely and had a swollen hand. She went over to her uncle who was a doctor for help. When her uncle and aunt went to drop her back in the evening, her in-laws were not prepared to accept her. After a lot of persuasion they were made to change their minds. In the meantime Anima's parents were traumatised by the treatment meted out to her, the news of which reached them at Bhubaneshwar. Before she left Rourkela for Bhubaneshwar her in-laws took away all her ornaments and her saris. After this her parents decided to send her to her husband at Cuttack. He did not approve of this and, subsequently, she was accompanied by her sisters and a cousin, who went over to Ashok's place. The underlying belief was that, perhaps, without her in-laws' presence the marriage would work. Her two sisters camped with Anima for a few days. In course of this he abused everyone. Anima's in-laws came over and she was beaten, abused and kept segregated in a semi-starved state.

Realising that the attempt was futile, Anima rejoined her parents. She now waits for a home and justice.

Case VI: Farida Khatun (d/o Mohammad Ayub, Kendrapada, Cuttack district, w/o Abdul Jani, Keonjhar district)

Farida was married to Abdul Jani in 1986. Her father had given Rs 10,000 in cash and five tolas of gold as dowry. Subsequently, she mothered three children. At first she was tortured for not bringing furniture. Soon after her father sent a furniture set. Farida was next tortured for a motorcycle. Her father had agreed to this as well. However, unable to bear the torture she decided to leave for her parent's place on November 8, 1992.

As she waited at the Keonjhar bus stand, her brother-in-law arrived there and whisked away her children. Farida was forced to return to get her children back. When she reached there, her husband and her brother-in-law doused her with kerosene and set her on fire. She was then taken to the local hospital where her husband declared that she had got burnt due to the accidental explosion of their kerosene stove. Farida was shifted to the Cuttack hospital by her father and her uncle. In a dying statement she accused her husband and her brother-in-law of setting her on fire. Farida's father has met the Orissa chief minister, the police DG, several ministers and officials. Can they punish the guilty?

Certain things emerge from what we have narrated. Dowry demand and harassment have a multi-caste basis—viz, khandayat, karana and brahmin women suffer as its victims. However, one needs to go in for intensive research to see how far this menace has touched the tribals and the outcastes. Moreover, although two of the victims belong to Nayagarh (an ex-princely state) in the Puri district and Keonjhar district (an ex-princely state), one needs to look into the western tract as well.

As seen, this problem transcends the rural/urban dichotomy. Although the victims are mostly from the lower middle class, one should not locate it as a phenomenon of this class alone. It is very possible that middle class victims, as well as the poorer sections do not report such cases—fearing social stigma or because of the lack of knowledge about the legal process, respectively—unless the level of terror and violence becomes a threat to the lives of the victims, or in the event of their death.

What we also witness is that it is a multi-religious phenomenon. The last case we have cited relates to a Muslim woman and her husband. Similarly, the ease with which Hindu husbands can re-marry after harassing their first wife for dowry and without any formal divorce is demonstrated in one case we have cited.

It is indeed unfortunate that most of the victims have been 'married off' in line with patriarchal notions of 'responsibility' by their parents without any attempt to educate them, or make them stand on their own feet. This, coupled with a general neglect of a girl's education/career moulds victims to a stereotyped role associated with reproduction and 'wifely' responsibilities. As seen in one case, this reduces them to the position of unpaid maids, veiling a structure of exploitation associated with household labour.

One also sees an attempt to draw upon traditions, like the Sabitri amabashya, in order to legitimise predatory demands. This co-exists with a lumpenised perception which commodifies marriage and converts a sacred act into a materialist exchange. The inherent logic of competitiveness and its association with consumerism (viz, TV sets) is obvious.

The amount of money raised for dowry by some parents is disproportionate to their income. This has serious implications. As seen, they are forced to sell their land, etc, to meet dowry demands. Moreover, there is a possibility of this pressure pushing them towards corruption. Besides, the nexus between dowry harassment, bribery and unemployment, as seen in one case, needs to be highlighted.

The structure of acceptance enjoyed by dowry is significant. This perhaps explains why some of the victims were not helped by co-villagers. In the case of Chapala Nayak, 'help' was extended and a feast extracted from the victim's father by the village panchayat. Besides, help and sympathy for the victims of dowry blurs gender-based distinctions. The behaviour of the women in the family (viz, mothers-in-law and female relatives), in the locality (viz, the local chairman's wife) and at the police station (viz, the woman police inspector) reveals this most unambiguously. And, going by the record of the police and the time taken by the judiciary, one can definitely argue that both need a thorough restructuring.

Things are perhaps made more difficult owing to the absence of women's groups or a women's movement in most parts of Orissa The absence of any co-ordination among the few groups that exist also adds to the problems. Nevertheless, the fact that the victims/their relatives do report cases to the police/women's groups, as well as the help extended by ordinary people offers possibilities which cannot be ignored by anyone who wishes to combat this menace.

[The author gratefully acknowledges the help extended to him by the Utkala Mahila Samiti (Cuttack) which includes permission to use the tapes containing the interviews with some of the victims as well as the written complaints received from them.]

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Mitterrandism and the SPF
On the Edge of Doom

Frederic F Clairmont

There are many interrelated facets that have gone into the disintegration of the Socialist Party in France, but the primordial catalyst remains soaring mass unemployment.

I

THE magnum's suicide bullet that pulverised the brains of Pierre Beregovoy, scapegoat extraordinary, France's former prime minister, signalised the end of an aged, forlorn, mentally destabilised and battered politico. His personal ambitions had been ground into the dust by the electoral tornado of March 26 that swept into limbo the Mitterrandist monarchy, and the motley refuse of the socialist party.

Symbolically, in a wider frame, it exploded the pretension that France was a major world power. No less portentous was that it simultaneously shattered the morsel of mendacity that the socialist party of France (SPF), shuddering in a state of apoplexy and moral decadence, was an instrument of democratic change.

When Beregovoy was shovelled into the first minister's job by Mitterrand, he plunged into it with the resounding and ecstatic adman's battle cry that he was the man of the hour, one of whose principled goals was "to lance the abscess of corruption". By then, the moralising babble touted by the SPF and their servant sounded hollow. It was one more banal sop of verbal overkill to which the people of France had been subjected to by one mob of ministerial fly-by-night hustlers after another in rapid succession.

II

True to form Beregovoy was important to change anything. He wasn't meant to. He was a stage-managed front man. The ruling political class used him as a scapegoat; as a fragile, frantic man gripped in the coils of gutter politics he proved to be an ideal gadget wielded by the master of the Elysee Palace. The financial and other scandals—better still crimes—did not ebb; they rocketed on the immutable trajectory to heights exponential.

The interest-free loan of $2,00,000 that Beregovoy had acquired through the largesse of a notorious racketeer convicted of insider trading was suggestive of the fragrance of the kickbacks and skulduggery. It was peanuts, of course, compared to the torrential cash flows that irrigated the soil of the SPF and other political agents. Was Beregovoy so dumb as to believe that there were no trade-offs for such delectable interest-free offerings?

Heaven's manna flowed smoothly and uninterruptedly into the bottomless moneybags of the political caste who demonstrated, in the poignant phrase of John F Kennedy, their reluctance to "resist the pressure of opportunity". But this big-time racketeer and political pimp was by no means a solitary swallow. He epitomised a vast proliferating species of profiteers incubated by the binges of economic liberalism—one of the ideological keystones of the Mitterrandist arch.

This burgeoning profitariat and other parvenus knew the value of the SPF and coupled their loot to the get-rich-quick culture of the political caste. The cause of the death of Beregovoy's financial benefactor remains mysterious but it is of minor relevance. More pertinent in understanding the SPF's twisted anatomy is the symbiosis between them. In such fertile earth, how is it to be expected that the racketeers would not become the object of unctuous solicitation by all constituents of the French political chattering classes?

III

The hoary spectacle that we are witnessing within the SPF's ranks is the stench and rattle of death. Mitterrand, his cronies and their racketeering fellow-travellers built the sewer, to be sure, with exquisite comouflage, interminable badinage and cover-ups, into which they themselves have now plunged. In so doing as a death wish—and to the dishonour of France—they have shoved the nation into the cesspool as well.

Beregovoy's self-liquidation coming in the wake of the SPF's cynical, corrupt and ignoble reign gripped the nation not because of the media's claims that it marked the departure of a supposedly benign soul, but because it unravelled in a moment of apocalyptic truth all the pestiferous contradictions that had been fleshing the party's vitals over several decades, but which had only brazenly scaled such vile summits over the last decade.

There are many interrelated facets that have gone into the disintegration of the SPF; but unquestionably the primordial catalyst remains soaring mass unemployment given by the Mitterrandist propaganda machine at 11 per cent or around 3 million. This was a barefaced fabrication. The latest official data highlights that the number is close to 4 million. As in the US, the number was a grotesque undercount. This is not fortuitous as older workers, women, the Arabs, the Blacks and other marginalised youth in the inner city ghettos were deliberately scrubbed from the unemployment rolls.

As over vast tracts of east Europe, the 'socialist' government and its 'socialist' president had become wholly alienated from the sensibilities and hardships of the French whose living standards had plummeted—a process that once again bore striking kinship to what was going on in the US since the onset of the 80s. Precisely because the same causes engendered the same results. In reality there were trivial economic policy divergences, if any, between Reaganism/Thatcherism and the votaries of Mitterrandism, explicitly in its egregiously repressive Rocardian guise.

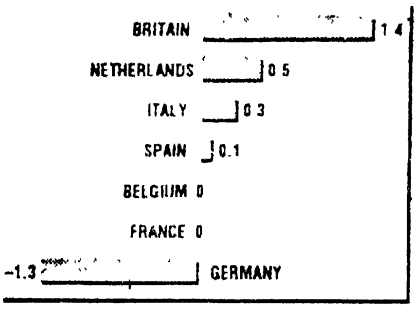
This spiralling impoverishment stemming from an overdose of austerity packages and repressive economic policies impacted with striking severity not only the working class, but the more vociferous and articulate middle class. Mitterrand and his successive front men: Rocard, Fabius, Cresson and Beregovoy had become progressively impotent as the 80s switched into the stricken 90s.

The elections of March 21 and 28 are milestones in the annals of French political history. The sheer magnitude of the legislative landslide had no precedent in this or any other century. The aged and broken Mitterrand (78), afflicted with prostate cancer, is wholly isolated; faced with a right wing government with long teeth and sharp memories that despises him. It is ready to give him the chop if he shows the slightest signs of being obstreperous, and he knows it.

This ravenous impulse to settle scores may at first appear paradoxical coming from a master political handler that propelled Big Capital into its present state of exalted profits and euphoria. It ought not to be forgotten, however, that the essence of Mitterrandism—of course never openly avowed—was the elimination of all shoots of authentic militancy that called for a halt to the ravages of untrammelled economic liberalism.

It was for this reason that he and his last prime minister were showered with extravagant encomiums by the *Wall Street Journal*, the *New York Times*, the privatisers and liberalisers of the chambers of commerce and the state department. Likewise, on the foreign policy front, the SPF and Mitterrand himself (with the noble exception of Chevenement who quit

PROJECTED 1993 REAL GDP IN LEADING EC ECONOMIES, IN PER CENT



Source IMF

the defence ministry over the Gulf War) proved to be the most obsequious acolyte of the Bushbaker war machine. In addition, the so-called 'right of humanitarian intervention' synonymous with imperialist onslaughts on the third world peoples was spawned by Beregovoy's cabinet. In this respect, Mitterrand was *par excellence* one of the moving spirits that contributed to transform the US security into the cozy white man's club of four.

His critics conferred on him the sobriquet of the Florentine in honour of Nicolo Machiavelli, the renaissance political theorist, that exalted the double-cross as the acme of political craftmanship. Mitterrand had been psychologically blasted and traumatised by the unrelenting tidal waves of the economic depression. But this time the juice of life was pouring out of him like a rotten barrel replete with holes. His facile utterances had lost all semblance of coherence. His tide had ebbed, never to return.

He had lost his grip on the executive. He was also powerless even to influence the march of events within the rat-ridden socialist party that had become a derelict wreck, victim of the once lush pickings by the career political racketeers. The SPF, political debacle was the end of the road. The SPF exhibited total psychic exhaustion towards the end but for Mitterrand and the distraught party leadership it must be seen as a respite and a deliverance.

Just as Houdini, the grand magician, was said to be able to wiggle out of all chains Mitterrand was reputed to be able to talk himself out of a coffin by his rhetorical baloney. The political Houdini is dead. Broken promises, lies and bigger lies, trailed by the most sordid rationalisations were the permanent agendas of the 'socialist' government. But this time round the monarch's magic did not, and could not, do the trick.

Mass unemployment was and is merely the tangible scourge of France but it was not the only one that punched the soft underbelly of the executive and the legislative branches of government and the SPF. The economy has ground to a halt and there is no short-term prospects of recovery. Racism over the last decade, as any perfunctory visitor to the big cities bears witness to, had become rampant. But the reigning caste failed calamitously to dam the deluge.

IV

Compounding the blight of racism, stagnation and mass unemployment was the pervasive embezzlement that had seeped into the very marrow of the public and private sector. Only the tip of the iceberg, a very small tip, was revealed. The criminals that were shoe-horned into prison were the small fry. This is one of the differences between Italy and France where the judiciary, particularly in Milan, is hell-bent on bringing the criminals to book.

As in all the moribund advanced capitalist countries, the gap between the rich and the poor had grown horrendously wide. Never in the history of France, save perhaps in the years of the Second Empire in the 1860s, had the rich so ostentatiously flouted their wealth.

This was the providential boon on Mitterrandism to the bourgeoisie and for which he will not be forgotten; it was a deliberate act of policy fuelled by privatisation and the concomitant disaster of economic liberalisation. This came straight from the kitchen of the SPF, and owed nothing to the deviousness of the World Bank and the IMF.

The essence of the 'consensus politics' notably galvanised by the Rocardian wing of the party was blueprinted to enhance the powers of Big Capital. A dazzling success story galvanised at the expense of the middle and working classes. To dissimulate the violence of domestic policies and hence deflect attention from the tribulations of daily life Mitterrand's strategy was to market the 'human rights' issue with immense public relations ballyhoo of which they had become past-masters.

V

The peddling of the 'human rights' merchandise which Mitterrand hoped to cash in on with a Nobel peace prize was a gigantic gimmick and a fraud perpetuated for internal domestic purposes. It did swindle some people, but there were others that could not ignore Mitterrand's unequivocal historical record. True Mitterrand was a prisoner of war but his role in the resistance was marginal. There were those that had not forgotten that the mumbling Mitterrand was not to be numbered among those that opposed actively in the post-liberation years colonial genocide in Indochina and Algeria. Indeed, successive socialist governments notably, those of Guy Mollet, were among the most ferocious protagonists of mass genocide in Madagascar, Indochina and North Africa.

The French constitutional apparatus is a hybrid mechanism created by the political caste-class to perpetuate survival; it is neither a presidential nor a parliamentary system. The executive is elected for seven years and the legislative assembly for five years with overlapping and conflicting jurisdictions. The constitution is itself a rigged contraption confirmed in the electoral results. The official political 'right' with less than 39 per cent of the vote grabbed over 80 per cent of the seats in the National Assembly.

The constitution is a perpetual scissors-and-paste job, remoulded several times to meet the imperatives of the political caste. Big Capital's interests have never been jeopardised by these dirty little games. True, Mitterrand and the SPF strenuously sought to annihilate the distinction between left and right, but Big Capital has generally preferred its authentic servitors incarnated in Giscard d'Estaing, Chirac and Balladur to turncoats. But this is not always so.

The SPF was, and is, required at specific historical junctures when massive organised working class agitation looms ominously. As with Thatcher's stratagems, the goal has been to dismantle and demoralise working class institutions, notably the trade union movement.

The SPF, in contrast to Tory policies, was only partially successful in achieving this goal. It remains for Balladur and the trusted goons of the political right to complete the job. However, there is no automatic guarantee that working class resistance can be so easily demolished or its leadership irrevocably corrupted, even with the support of the perversely concentrated press and television media.

Certainly the people of France witnessed not only what was happening within the SPF but also the decomposition of the Spanish socialist party of Felipe Gonzalez. As in France the country was, and is, rocked by every imaginable ruse of petty and big-time racketeering within and outside the party. There joblessness has already outstripped one-fifth of the labour force and is rising with little or no prospects of receding.

Likewise, the omnivorous and omnipresent corruption and scandals in Italy that had been brutally exposed—the process has not yet run its course—dramatised amongst many other things, the dimension of the personal corruption of the socialist prime minister Bettino Craxi. The canker has engulfed the party's entire apparatus.

The decay of European social democracy is an audible and visibly blinding

acknowledges in private. More crucial in the shaping of public opinion was the mess and muddle within the SPF that reared its head prior to the elections for the party's new leadership.

The formal ideological currents, so typical of SPF politicking, bears the names of the leading prize fighters—Rocardians, Fabiusens, Jospenists and others—who have thrown their caps in the ring. It is not that there is much ado about nothing but that there is much ado about very little. In fact, there is little difference between them. Chevenement, a man of integrity, was honest enough to call a spade a spade when he thundered that he no longer had a place in the party because it had ceased to have any moral principles. He was wrong. Rooted in the most opportunistic strata of the *petit bourgeoisie* the SPF never had any moral principles to start with.

But the story and the party's fate was to have one more macabre twist. On the eve of the legislative elections Michel Rocard with great fanfare proclaimed that the party had no *raison d'etre;* it was therefore mandatory that it should scrub its name and shed its past. The medicine prescribed was that it should be reorganised on the lines of the Democratic Party in the US. In so doing he had once again made his genuflections to the political right and affirmed his respectability. The Clinton administration and its party had become his model and his mentor. He was not joking when he called this the 'Big Bang'. It was a ragbag destined to corall a miscellany of disaffected elements of all parties.

It was cheap baloney to begin with but Rocard made his spiel. It was a flop. Poor Rocard, former prime minister who had employed, at what price has not been disclosed, Clinton advisers to mastermind his campaign, lost his seat in the National Assembly. Far more comic and farcical was that the same Rocard who called for the Big Bang, that is the party's dissolution, fought for the leadership of the party and won the coveted prize.

Such is the present disarray of the party's fortunes, or rather misfortune, in a stage of decomposition. The final word belongs to a Parisian militant that toiled for his party for over 20 years:

> I've never seen anything like the current party congress that elected Rocard. The militants had no say. The cussed business was stage-managed with the most blatant and vulgar American marketing techniques. Don't talk to me about democracy here. If only it were a farce that wouldn't be so painful; but it's more than that; it's crooked. I no longer want a place in that outfit. And there are hundreds of militants at the grassroots level like myself. It's as simple and tragic as that.

The disarray within the party could not be more pathetically portrayed.

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BROTHERS AND SISTERS: ISN'T IT TIME WE FOUGHT FOR EACH OTHER?

We, people of Indian origin living abroad, wish to express our deep anguish over the vengeful destruction of the Babri Masjid at Ayodhya and the wanton killing of hundreds of innocent lives in Bombay and Surat, which created a vortex of violence that culminated in the tragic and equally deplorable bomb blasts in the city of Bombay on March 12

By conspiring to destroy the mosque, the right-wing extremist Hindu organisations—BJP, VHP, RSS, Bajrang Dal and Shiv Sena—showed utter contempt for India's Supreme Court, its Constitution, for political decency and public morality.

These forces threaten the country's pluralistic-democratic and secular order and violate the tolerance that is supposed to be at the core of Hindu faith. To this day, they continue to pursue their anti-democratic "Hindu Rashtra" agenda and cynically manipulate the temple issue, signifying an appalling growth of fascistic forces. These forces have created a communalised atmosphere in which fanatics of all hues thrive.

What is happening in India is not an issue of Hindus versus Muslims or Hindus versus non-Hindus It is a struggle between the forces of fascism and bigotry on the one hand and those of democracy and secularism on the other

It is particularly alarming that the State machinery connived in the mosque's destruction and repeatedly failed to protect citizens' life and property in the violence that followed The anti-minority pogrom in January in Bombay and the cycle of violence unleashed point to the serious dangers that lie ahead.

We appreciate the fact that these acts have been strongly condemned by the mainstream of Indian society, including the vast majority of Hindus. But we deplore the Central Government for its failure to prevent the destruction of the mosque and its decision to allow BJP supporters to offer prayers at an illegally constructed platform on the same site in Ayodhya.

We take pride in the multi-religious, multi-cultural traditions of Indian society. We believe that India belongs to all its citizens and it is imperative to restore public confidence and ensure that all communities can live with dignity and self-respect.

We resolve to extend our support to the re-creation of this confidence.

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Fragile Mega-Worlds

After the Sacrifice

Peggy Mohan

There is a pattern that keeps recurring as we trace the movements of 20th century man up from small social groupings into megasystems. At one level, it has involved technological intervention into small functioning systems. At another, it has also resulted in qualitative change. And inevitably, this qualitative transformation has had far-reaching consequences in the domain of social justice.

> "...and what", I asked, "is the biggest reason people are safe on the roads?" The little girl thought, laterally, and answered me: "because nobody really wants to hurt us."

IMAGINE, for a moment, a topsy-turvy world, in which every driver, in fun or in malice, wished to hit you as you walked down the street. Where every adult had plans to kidnap your child. Where every stray dog was actually out to bite you. Now try to imagine the systems you would have to design to protect yourself from this constant level of danger—and how very often your best systems would fail at protecting you.

Thought experiments like this bring home to us how much we depend on the inbuilt nature of human beings, rather than the power of official enforcement systems, for our basic security. So it was in the beginning, when we lived in small social groups, never really analysing all the forces interacting to create order and stability in our lives. And so it is now, even as we narcissistically give ourselves full credit for creating the systems which, we believe, bring law and organisation to our lives.

There is a pattern that keeps recurring as we trace the movements of 20th century man up from small social groupings into megasystems. At one level, this pattern has involved technological intervention into small functioning systems with the narrow aim of maximising something quantitative about them, and these interventions have resulted in new kinds of structures, more dependent on man's control. Big agriculture. Mass media. The world market. Large plural societies operating as nation states.

From another standpoint the transition into megasystems has not been just another quantitative increase. The switch has been every bit as significant and as qualitative as if it were from an 'analogue' mode to a 'digital' mode. And, as with the transition from the analog to the digital, man moved beyond his natural in-built capacity for 'andaza' which had kept him on track ever since eternity. The scale of things now exceeded the bounds of our genetically guided competence. We were now in a brave new world!

The big mistake, however, was our thinking that all of existence necessarily obeyed the same natural laws we had been familiar with in the small-scale low-energy worlds we began from. But even in those small systems our understanding of natural laws had had been largely intuitive, and without any real analytical depth. So it was easy for us to jump to the narcissistic conclusion that we were the ones whose design and effort maintained the balance in our social groupings, discounting the awesome role of the self-regulating environment, and our own unconscious inner programming, and to go one step further. If we were the ones whose efforts kept things in order, all we had to do was to 'speed them up' for things to be 'better'. And a great 'divorce' took shape around this mythology: man became, more formally, an "individual", distinct from his social group and his interacting environment. Man could stand alone, with quantitative resources at his command: money, and power. All had broken free of their primary context and attained a separate existence. The pieces were now free to move: the game could begin!

And, inevitably, this qualitative transformation that started out as a quantitative tinkering had far-reaching consequences in the domain of social justice, as face-to-face organic systems gave way to impersonal abstraction. It was 'profitable' to begin growing sugar, the quintessential nutritional analogue of granulated 'energy', and to turn whole island colonies into vast sugar plantations utilising slave labour, and this in turn rationalised the genocide of a whole indigenous people and the most dehumanising enslavement ever seen on this planet. It was 'productive' and 'capital-creating' to manufacture on a mass scale, and so the factory assembly-line, which mocked at ordinary man's urge for creation, was born and made the lynchpin of the industrial age.

The name of the game was accumulation. To make those great mountains of capital they had to leave deep and desolate gorges all over the landscape. The great mass of humanity began to fall by the wayside, and become invisible as they relived in their minds an older world of natural justice.

And man-made rules followed this disassociated thinking. Megasystems demanded the kind of impartiality that would decontextualise events, the kind of

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justice that would become a world unto itself, insulated. Safe from localised bias, but blind to the intuitions that had guided face-to-face justice, and ensured that things remained in balance. What emerged out of the magnitude of the new system, and its insulation from localised ground realities, was the grace period of a 'float-phase'—a period of time during which the consequences of high-level decision would remain below our threshold of perception. Deprived of visibility, some adverse consequences might even vanish. It happened often enough to sustain the belief that high-level objectives might be met without social cost, or before the social "bill" could be presented in unequivocal terms. What resulted, under the protective umbrella of the megasystem, was the knowledge that gross infringements of natural humane forms of behaviour could be justified in terms of the logic of the larger system, and the realisation that act was now a thing divorced from consequence, maybe forever.

To pose all this in psycho-social terms, what we had, now, was no longer a collection of bad-minded individuals taking liberties with the rights of other individuals. Oh no! What had finally come true was a Frankenstein dream: the megasystem, growing bit by bit as we 'fed' it, had finally emerged from its quiescent gestation and awoken to its own individual life. People, and events, could now more 'productively' be viewed as statistical probabilities, and as outcomes of forces interacting within a living system. Even leaders would now be largely the upshots of the logical flow of the system. We were all less free than ever before, but mostly we were happy, and hopeful. The divorce from immediate consequence had had its effect in the domain of positive social expectation. Man had learned to keep his eye on the future, and to wait.

Balance was gone, but the structure stood tall, safe and unconcerned. This it could do in two interesting ways. 'Spatially' speaking, the structure now worked according to the laws of thermodynamics as a 'living' system, far-from-equilibrium, sustained by the vast amounts of energy that flowed through it. It had become a living 'dissipative structure': like the Sun, like a whirlpool, like a living person. And 'temporally', the structure achieved a potential balance by borrowing against the future, by discounting consequence. In other words, if the model was right, the megasystem would need a vast and continuous supply of energy to 'feed' it, and it would owe heavy debts which it would one day be called upon to settle.

This is a classic 'phase transition' situation, where a linear process of incremental growth gives way to a fundamentally new landscape on a different plane of energy. In phase transition what we do is 'cross the threshold' into another 'phase' of existence, where suddenly the old laws no longer apply. One such moment in time came when physicists, happy in a world 'almost-described' by Newton, turned their attention to 'hyper-real' phenomena at the speed of light out in the free-floating cosmos or down in the particle zoo. As Newtonian laws broke down in 'hyper-real' space-time, Einstein made the mental leap to a concept of structure in which the speed of light—and not human-seen matter, space or time—was the central constant. Crucial to this new vision was man's utter relegation to the status of a variable: this submission was essential to the laws of phase transition upward from human-felt reality to hyper-reality. Upward phase transition meant migrating into a system whose worldview was intrinsically at odds with the genetic programming that underlies human perception.

It is a very short step from a system at odds with the interests of the individual to a system under stress turning hostile to individuals within it whom it finds inconvenient. And for its own protection the system forms, out of its human components, apparatuses for regulating itself. The objective is to keep order by suppressing or eliminating 'fluctuations' while the system carries out its own work. When times are good, and the system is 'unexcited', this work takes the form of 'service' to the other human beings within the system, and is essentially a benevolent force maintaining a stable order. But under stress the system's imperatives change, and the job becomes one of exercising power.

There is no use here exploring the various ways in which disturbance can be handled with minimal harm to individuals: the system like any other living thing has an in-built bias. As a high-energy megalith bent upon an in-built course of growth, it prefers to react decisively and without compromise. For this, creatures tuned to 'service' and good relations do not deliver the required result quickly or unequivocally enough. So exit the benevolent state. Leadership turns private and authoritarian. And a new kind of protege-and-hero enters the fray, the kind of individual who is obedient and ruthless. Ideally he should also have no personal opinions, and be perfectly malleable, but these attributes are often incompatible with the power and authority he must exercise. So instead his personal agenda must essentially coincide with that of the system. Enter the warlord.

And so it comes to pass that the most 'advanced' megasystems on the planet are sustained by the most primitive kind of force. The regulatory sector includes in its ranks various kinds of psychopaths whose talents at restoring control derive from serious personal aberration. The top levels favour 'fronts' who are telegenic and managerial, and uninterested in any major change that would disturb the smooth flow of the system. The most serious change on the horizon is the gravitational pull towards a totalitarian level of control: mass participation becomes something 'irrelevant', 'too time-consuming', and ultimately 'disruptive' to the imperatives of the economic order. The springtime of experiment and of maximising options is over.

The new being we inhabit is a different animal. Since it is essentially quantitative, it is uncomfortable and impatient with qualitative social diversity unlinked to the clean lines of its economic hierarchy. Since it lives at a very high level of energy, it is inherently highly stressed, and these stresses translate downwards as social acrimony and individual tensions along the natural 'fault lines'. As a classic 'dissipative structure' it generates vast 'toxic wastes' of social and individual anger, which float around as a nebulous frustration, seeking interpretation and justification in terms comprehensible at human-felt ground reality. It also generates a more formal 'toxic waste dump' which mirror-images the order in the system, in the form of an organised crime sector. The magnitude of its industrial sector also entails the existence of a shadow world of large-scale production, purchase and stockpiling of armaments. The more sophisticated the structuration in its commercial sector, the larger the proportion of 'empty' and inessential products being generated.

Because of its great distance from natural levels of equilibrium, the system is obsessed with total control, as only a total level of control can seal it off from the forces of entropy which aim at its total disintegration. Because it is 'totalitarian', it 'reconciles' conflict not by consensus, but by choosing and backing the 'strongest' of the contending options, and seeking to absorb or eliminate the others. It is an inscrutable beast, whose intrinsically saltational pattern of evolution gives little warning of the sudden disruptions that 'punctuate' its long periods of outward stability. It is a creature utterly unconcerned with present-day human happiness. Like the awesome dinosaur, or the woolly mammoth, it is perfect, it is an evolutionary dead-end, it is utterly fragile.

'Fragile' is a word that keeps cropping up when we speak of the equatorial rain forests in all their glory. Ever since eter-

nity they have towered over us and intimidated. But now, they stand helpless, and we realise the staggering job it is to prop them up when the responsibility for their survival falls on us. They looked so very safe, as their size insulated them, in time, from the consequences of the liberties we have been taking with them. But what they lack is the gradualistic response we are humanly tuned to expect. One day they seem fine; they can take it all, and more. The next day they are fighting for their lives.

The behaviour of a megasystem when it comes tumbling down is bewildering. It is almost as if the more ambitious it seemed as a 'human' experiment, the more plural the forces it reconciled, the more stable and mature it looked—the more viciously and atavistically it convulses as its lights go out. It calls to mind a smooth spherical balloon, sustained in shape by the pressure of the air in it, air pressure which itself accelerates the rupture once a tiny chink in the order appears. And it explodes in an instant.

It makes one wonder, too, whether there really is anything 'constant' about human beings, even at human-felt reality, since the broad mass of humanity, the 'good' people, swing so wildly in the roles they are capable of playing. One day a loyal soldier of the organisation, obedient and unquestioning - the next day a paranoid killer erupting with personal xenophobia. One day an urbane, cosmopolitan 'yuppie'—the next day a born-again supporter of unfamiliar sectarian beliefs which hold out an offer of personal reassurance in a world full of stress, insecurity and self-doubt. One day a disorganised non-achiever—the next day a stable worker with the patronage of his boss and a smooth uneventful career ahead.

The crucial difference, in the lives of 'good' law abiding people is system, that large security blanket that organises and decides. This, is the true face of the mass of humanity, and their blunt earnestness is what brings the shudder, and the inverted commas around the word 'good'! The ones who understand why we have to kill our neighbours, the ones who proudly send their children to the battlefield to die, the blessed ones who never do anything 'wrong'. After the catastrophe, it is left to the misfits, the 'outsiders', the 'bad' ones, to clean up, and to lead the flock back to a new light.

When catastrophe comes, unfailingly through the internal logic of a system and its pattern of growth we have what is called a catalytic crisis. What is especially beautiful about a catalytic crisis is that it is nature's way of providing a hiatus during which the system and the catastrophe itself can be analysed, and the other competing options, which were always there but submerged by the success of the system in full swing, explored. The inertia of the megasystem is broken. It is a unique moment that allows for the possibility of reversal!

None of these events happens by human design: the process of 'speciation' of a living system is something far more mysterious and organic, where we have space to function only indirectly in a nurturing role. Our greatest source of authority in 'growing' a better system is the compatibility of our desires with the tendencies of the larger environment, and these, in this moment of crisis, are oriented towards a return to equilibrium, towards reversal. And a reversal of the key features of the system would yied a very familiar list of attributes: plural; low-stress; energy-efficient; balanced; consensual; transparent; happiness- promoting; open-ended. A system that acknowledged error, accepted correction, and learned from its mistakes.

In Buddhist thinking it is mankind's lot to journey from a primal state of grace and unconscious harmony with our natural environment, through a harsh noontime of schism, confrontation and atomised individuality, to reach the evening of our life ready for the paradoxical step of fusion back into our world without losing the insight gained in the experience of individuality. What is striking in this process is the attention and support given to those souls trying to transit upwards from the state of 'selfishness", as if this phase marked an unworthy immaturity which much be surpassed, if we are ever to become better.

If these models are right, there is nothing inevitable about this particular megasystem as man's final destination. It looks instead like a unsustainable transit-stop where we learn about unhappiness and garner the reductionist skills we might need in the journey ahead. But the onward journey is full of the disruption of reversal, of undoing the groundwork of a whole course of development, of finding a new way.

In his final film, *Sacrifice*, in the shadow of his impending death, Andrei Tarkovsky tells of a world gone so far wrong that the world itself has become 'sinful'. There is no question of trying to seek out and salvage 'good' elements, because they too are upshots of the flawed system, and thus themselves inherently 'sinful'. What is needed is a total cleansing, and a new beginning.

And he ends with the words of a child, watering the same fragile tree his father had been watering at the start of the story, a boy speaking for the first time, in words that echo the beginning of Creation in the Bible, and the Buddhist transition into the world of 'self':

> In the beginning was the Word';
> why was that so bad, Father?

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Biotechnology: Miraculous or Murderous?

Gail Omvedt

Biotechnology: Economic and Social Aspects—Issues for Developing Countries by E J DaSilva, C Ratledge and A Sasseon; Cambridge University Press, Cambridge, UK, in association with UNESCO, 1992.

BIOTECHNOLOGY to many is a kind of Aladdin's lamp, promising miracles in productivity and profit, especially for the most depressed sector of the Indian society and economy, agriculture. From cardamoms and orchids to all kinds of fruits and vegetables, from tissue culture and aquaculture to genetically modified plants, biotechnologies seem to offer an arena that would gladden the hearts of any worried about India's economic crisis: tremendous scope for foreign investment on the one hand and the development of profitable exports on the other.

There have also been plenty to sound the warning about the ominous side of biotechnology. The very features that make it attractive to some (a "new buzzword in business", according to an *India Today*, article[1]) raise hackles in others. Environmentalists have taken the lead in unleashing a full-scale attack on it, seen in such books as Henk Hobbelink's *Biotechnology and the Future of World Agriculture*.[2] Their critique is radical and at times apocalyptic. Focusing particularly on the biotechnologies of genetic manipulation, they argue that this 'gene revolution' will prove even more destructive to world agriculture than the 'green revolution' was. The green revolution's increase in production in selected crops, the environmentalists point out, was bought at the price of peasants' increasing dependence on industrial-chemical inputs and the spread of agricultural systems that were more vulnerable to disease ravaging monocropped areas, that wiped out genetic diversity and drought resistance, and were actually *less* productive in terms of inputs (whether of fertilisers or even water) than traditional farming systems. Even more than the GR, the critique argues, the bio-tech revolution will make peasants dependent on high-cost industrial inputs, and whereas the GR was at least transmitted through mainly public institutions, the biotechnology revolution is almost entirely in the hands of private companies whose sole goal is profit.

A powerful ethical broadside is levelled against the association of biotechnology with profit-making and patentability: what right do companies have to patent living organisms? what right do they have to profit from the new seeds and techniques that normally take as their basis the seeds, plants and knowledge extracted from third world peasants and forest-dwellers who have developed and preserved them for centuries, if not millennia? And finally, the environmentalists argue, the overall effect of biotechnologies is likely to be an economic disaster for the third world because they will allow the industrialised capitalist countries to develop substitutes for all the products, from coconut, palm oil, vanilla to sugar and fruit, which they now import from third world countries and which have become central export earners for many countries. This is a prediction which has gained widespread backing. As Martin Kenney of the University of California has put it, "Overall, the third world countries will probably be the losers, though they will have the opportunity to benefit. Right now, the technology is not going in the direction that would benefit third world economies."[3]

All of this adds up to a potent indictment. Nevertheless, many will feel doubts. What alternative is there? Is technology as such destructive to the poor or is it not also potentially liberating? If so, how do we take advantage of its liberating aspects? Can any country afford to turn its back on the latest technological developments? Such doubts are in fact reflected in contradictions in environmental campaigns themselves: on one hand, they hurl a broad, often emotional critique against the very nature of the new technologies; on the other the practical thrust of most campaigns is the demand to take the new technologies out of private (multinational) hands and put them in the hands of the state, or to make them available cheaply to third world countries. Much of what is going on is in fact not a campaign dealing with the technologies as such but campaigns against multinationals, as embodied in a slogan put forward by the Malaysia-based Third World Network group, 'the free market versus the green wave'. But this of course raises further questions about whether states are all that benign in contrast to private corporations, or whether cheaply available destructive/immoral technologies become less destructive and immoral for that reason.

Some important light is thrown on all these issues by the set of studies sponsored by UNESCO under review. In contrast to the environmental radicals the volume is sober, at times boringly written, directed to scientific and technical audiences. It supplements the environmentalist critique at many points, but calls on us to modify it in crucial ways.

First, as the UNESCO volume makes clear, 'biotechnology' itself is a very broad field. Basically the term seems to refer to any human manipulation of biological systems; the definitions given by E. DaSilva on page 213 will give some sense of the varying ways the word is used. The new, costly gene technologies are only one type, the 'hi-tech' end of the field. At the other stand ancient traditional technologies of food preservation which have included yeast, fermentation, cheese making and beer production; one can also extend the term to include all kinds of low-cost traditional and new farming practices (the 'peoples' biotechnologies'), making the farmer, in the words of Hobbelink, "the original biotechnologist"

Nevertheless it is not inappropriate that gene manipulation technologies should hold our attention, for the developing technologies that threaten to impact work agriculture are expensive, industrial laboratory-based ones. The UNESCO volume makes this clear; as the preface states,

> Biotechnology costs money. It is the work of business and investment. It is all to do with making and selling products in a highly competitive world. Start-up requires extensive research. Product and process development costs even more. Marketing is crucial for success and is also very expensive...

And the introductory article by C Ratledge practically incorporates a semi-Marxist dependency theory when he argues that unless linkages exist (so that the expensive new products produced by the expensive technologies can be locally consumed and sold) development based on the new biotechnologies is likely only to increase the poverty and dependency of developing countries:

> The success of biotechnology is therefore dependent upon an affluent society already being in place, and willing to pay for the new products. This is not to say that developing countries cannot have a biotechnology industry. It must be of a fundamentally different type than that of the developed countries, otherwise, without an affluent society already in place to buy the products, there is the looming

truth that a vicious economic circle would be developed whereby, because of a poor market-demand for a particular product, there will be insufficient profits to maintain the investment to see the next series of products arrive at the market place (pp 4-5).

Ratcliffe thus manifestly denies that the road to prosperity can be through export-focused, high-cost technologies.

Nevertheless, where the UNESCO volume makes a major addition (and modification) to the environmental critique is in taking account of the economic factor and associated political decisions. Junne's article on biotechnology's effect on international commodity trade agrees that the impact is likely to be huge and that it may very well work against the interest of countries by making it possible for countries of the north to develop substitutes for their agricultural imports from the south. Junne describes this as an additional factor to an overall process of declining commodity prices. Yet, as he makes clear, there can be no easy prediction because the technological factors depend (and have always depended) on economic factors and political decisions: "Biotechnology has no *direct* impact on commodity trade. The influence is always mediated by economic and political variables, such as the strategies of large companies that organise the international division of labour, and political decisions of governments which set the parameters for world trade" (p 185). Specifically, the impact of biotechnology (and of the early green revolution technologies) is heavily connected with policies of government subsidies to agriculture, subsidies which have over the years resulted in the impoverishment and dependence of countries of the south and the ability of Europe and the US to dominate agricultural exports, especially in the grain trade.

In fact, the case studies given in the UNESCO volume make it clear that in most cases the very costly industrial biotechnologies are *not* competitive, that without government support, subsidies and trade distorting mechanisms they cannot easily replace 'traditional' (low-input) agricultural products.

A primary example here is the case of High Fructose Corn Syrup (HFCS), a sweetener prepared by the enzymatic transformation of corn starch, which has tremendously expanded after 1975 to replace much of sugar imports by the US. Hobbelink's volume cites this as a 'disaster' for sugarcane producers in Brazil, the Philippines and the Caribbean, who have seen their exports decline dramatically.[4] But where Hobbelink sees the cause as only technological, the UNESCO volume points out the economic and political aspect: the replacement of sugar by HFCS has happened only in the United States (and Japan, due to the US pressure) where the interests of maize and sugar producers have combined with more of biotech companies to set high domestic prices for sugar and extremely low quotas for imports. It is only because of these policy measures of protection that HFCS can undersell natural sugar, and in fact the quota system has been challenged as being incompatible with GATT rules (pp 176-80). Undeniably, a genuine 'free trade' in this case benefits the producers of natural products as compared to the high-cost industrial substitutes.

Conversely, while biotechnologies may make it possible for north countries to grow genetically modified substitutes for their agricultural imports, they can also make it possible for poorer countries of the south to develop substitutes for some of their most costly imports. The most important of these is petroleum, and the example studied in the UNESCO volume is that of bioethanol production, in which various raw materials (including sugar from sugarcane) can be converted to ethanol; in Brazil a multiproduct industry is emerging including a bioethanol programme that is having a major impact on ethanol costs (pp 26ff). Generally speaking, the potentiality of using low-cost technologies for biomass production to provide not only food but energy substitutes is tremendous.

Biotechnologies are thus, in and of themselves, neither miraculous nor murderous. Nevertheless the extremely high-cost new technologies must be seen as products of a voracious, crisis-ridden capitalist development that is not only ecologically destructive but in the end economically unviable. 'Green revolution' history can be cited here. During the very period in which GR technologies were helping the growth of production in some third world enclaves, agriculture production in north America and Europe was rising even faster, based on chemical-industrial agriculture, and this was the very period in which food exports from these countries began to flood the third world and became, in turn, major foreign exchange earners for the US itself. By 1984 the US was exporting 69 per cent of its wheat, 41 per cent of corn, 59 per cent of soyabeans and products, 50 per cent of cotton; in turn this represented about one-half the world trade in grains: 37 per cent of world wheat exports, 56 per cent of coarse grains, 86 per cent of soyabeans and 21 per cent of rice. The US agricul-

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rural surplus was offsetting its continuing deficit in manufacturing and other areas.[5]

The basic cause for this was the extensive system of government subsidies and supports which benefited petrochemical companies and food processors and trading companies even more than north American and European farmers. By the mid-1980s, however, this 'export boom' was becoming an 'export bust' for the US and the system was running into crisis as, on the one hand, Europe was subsidising its agricultural exports to compete in world markets and, on the other, some third world countries were becoming self-sufficient in food.[6] Today, if government subsidies in Europe, north America and Japan were withdrawn, the reality is not that their 'advanced technologies' will outcompete 'backward' third world countries in agricultural trade, but that the immeasurably more competitive, still low-cost farming systems of the third world will allow their exports to wreck what is left of the chemically crippled, incubator baby-type pampered farming systems of the north.[7] It is not likely that the advances in biotechnologies will change this basic reality.

How Japan and France want to save their farmers is, perhaps, their business, but it should not be done to allow them to export at the expense of the peasant communities of the south.

What then should be the demands for state policy (of south governments) regarding the new biotechnologies? Perhaps the most dangerous argument of all is that the south governments should take them over and promote them! The UNESCO volume does contain one argument for this, with Burke Zimmerman as an enthusiast of gene technology arguing that developing countries should give "a high priority to the development of their capacities to conduct advanced research and technological development...[meaning] a commitment in time and money and people...hiring experts from abroad as consultants" (p 269). The basis of his logic is a specious universalism, that "all peoples of the earth should, as a principle of basic justice, be entitled to the direct benefits of new technologies" and that the developing world "can and should aspire to the level of economic and social conditions enjoyed by the most advanced countries" (p 267). It is an argument that will have a natural appeal to India's bureaucrats, intellectuals and scientists.

As against this, it is the basic conclusion of the UNESCO volume that it is precisely the most high-cost of the new biotechnologies that are most dangerous, economically, for the developing countries:

> The scientific developments of genetic manipulation, and now of protein engineering with the techniques of site-directed mutgensis to create new proteins with subtly improved characteristics, have attracted the attention of scientists everywhere. Such is the cost of these techniques, and such is the prohibitively expensive cost of developing new products into the market place from such techniques, that if we wanted to create a hole down which precious money and resources could be poured, then this is that hole... Biotechnology, if not wisely applied, can be a black hole down which valuable resources of money and intellectual manpower of a developing country can disappear without any positive benefit accruing to the investing country [Ratledge, pp 17-18].

The UNESCO editors, thus, appear to agree with the environmentalists that the real service to agriculture can be done through the development of simple, low-cost, people-oriented and people-developed technologies that "improve and enhance the sustainable production systems of traditional farmers rather than replacing them with miracle solutions" [Hobbelink, p 145].

But the danger, to repeat once again, is not so much from private corporations, multinationals or not, which themselves have depended for viability of much hi-tech production upon state subsidies, as from the state itself. Environmentalists with their nostalgia for the Nehru model look to the state to defend farmers and other producers from the multinationals; they may even be encouraged by the increasing rhetoric from all levels of government bureaucracy about 'sustainable development', 'watershed development' and so on. But the logic of statist support for expensive biotechnologies lies in the high-paid jobs for scientists and bureaucrats, the subsidies for politically-influenced companies, the opportunities for dispersal of patronage to politicians; and no matter what sops are thrown to popular participation and sustainable development, this logic will continue to operate as long as centralised state machineries retain control over power and resources. Breaking this control, moving in the direction of a truly Gandhian gram raj, is key to defeating the destructive aspects of the new biotechnologies.

Finally, as for the question of patents, at a practical level the problem does not seem as serious as made out: if patents will make expensive and unsustainable biotechnologies less accessible, all the better! Easily accessible enslaving technologies are more dangerous. At a principled level, though, we can do little better than quote back to the US policy-makers the greatest agrarian democrat of that country:

> Laws abridging the natural right of the citizen should be restrained by rigorous constructions within their narrowest limits. It has been pretended by some (and in England especially) that inventors have a natural and exclusive right to their inventions and not merely for their own lives but inheritable to their heirs. But while it is a moot question whether the origin of any kind of property is derived from nature at all, it would be singular to admit a natural and even a hereditary right to inventors. It is agreed by those who have seriously considered the subject that no individual has, of natural right, a separate property in an acre of land, for instance. By a universal law, indeed, whatever whether fixed or movable, belongs to all men equally and in common is the property for the moment of him who occupies it, but when he relinquishes the occupation, the property goes with it. Stable ownership is the gift of social law and is given late in the progress of society. It would be curious then if an idea, the fugitive fermentation of an individual brain, could, of natural right, be claimed in exclusive and stable property. If nature has made any one thing less susceptible than all others of exclusive property, it is the action of the thinking power called an idea (Thomas Jefferson, to Issac McPherson, August 13, 1813).

Notes

1 'Biotechnology: Poised for Growth', *India Today*, September 15, 1991.

2 Henk Hobbelink, *Biotechnology and the Future of World Agriculture* (London: Zed Books, 1991); see also 'The Laws of Life: Another Development and the New Biotechnologies', special issue of *Development Dialogue*, 1988.

3 Cited in 'Bio-engineering: A Blessing or Blight?', *The Times of India*, September 29, 1992.

4 Hobbelink, op cit, pp 75-77.

5 1985 Year book of Agriculture, *US Agriculture in a Global Economy*, pp 24-25.

6 Ibid, Bruce Garbner, 'International Competition and US Farm Policy' and H B Atwater, 'From the Club of Rome to Agricultural Surplus: The Dramatic Reversal in World Agricultural Trade' in Martin Feldstein (ed), *The United States in the World Economy* (Chicago: University of Chicago Press, 1985) and Carl Eicher and John M Staatz (eds), *Agricultural Development in the Third World* (Baltimore: John Hopkins University Press, 1984) all document these processes.

7 For a brilliant analysis by a US farmer/environmentalist, arguing that effectively chemical-industrial agriculture has already destroyed American farmers, see Wendell Berry, *The Unsettling of America: Culture and Agriculture* (San Francisco: Sierra Club Books, 1986). An European analysis is given in The Ecologist publication, *Another Day Older and Deeper in Debt: The Politics of Industrial Agriculture.*

Privatisation: Cure or Curse?

A P Saxena

Privatisation: Option and Challenges edited by S R Mohnot; CIER, New Delhi; pp VIII + 418, Rs 240.

OF late, privatisation has become a buzz word signifying a panacea for many economic problems, in particular relating to public enterprises. The expert prescriptions flowing in from the north press for taking the road to privatisation since economic redemption is only possible through glorification of the market, even though it may prove woefully inadequate for a society where large masses have to be brought to an acceptable standard of living. The protagonists of privatisation seek to discredit planning and state ownership altogether when this is not only unwarranted but harmful especially to the developing countries to whom development through private initiative based on market forces offers no solution to their specific problems.

The present volume incorporates the papers representing the deliberations of a conference organised by the Centre for Industrial and Economic Research (CIER) in New Delhi in March 1991 in technical cooperation with the Inter-Regional Network on Privatisation, UNDP. The papers have focused on privatisation in the context of comparative advantage of the public and private enterprise models. The results of the workshop were sought in the Indian context even though references have been made to the international experiences. The key concerns of the workshop were the issues involved in the choice of different enterprise models with special reference to socio-economic goals, organisational situations and operational mechanisms.

A common problem posed in the different papers is the intent and purpose of privatisation since, not infrequently, it means different things to different people. According to Ramanadham, "privatisation can be through ownership changes, organisational changes or operational changes. Or to put it another way, there can be privatisation of ownership, privatisation of management or privatisation of enterprise disciplines in substantive terms" (p 2). Mohnot argues that "the main inspiration has to come from the anxiety to rectify macro-economic imbalances—and the acid test for privatisation is the comparative advantage of an enterprise model for a specific public sector undertaking" (p 29). Ramaswamy Iyer has incisively examined the scope for privatisation in the context of *existing* public enterprises—from the point of view of policy or strategy, the *acceptability* of the idea of transferring a public enterprise to private ownership or management control, and from a practical point of view, the feasibility of effecting such a transfer (p 17).

Privatisation in the global perspective has been analysed by Dalal who has appraised the situation in the case of centrally-planned economies, the industrial countries and the developing countries. He has isolated the underlying trends which are common to all countries which have made significant moves towards privatisation. Dalal has done well to stress that privatisation is as much a political as it is an economic instrument since governments with strong political commitment in favour of privatisation along with popular support have succeeded in implementing privatisation schemes (p 86). Implementing yes, but not necessarily improving the bottom line. Operational results of Japan Airlines (JAL) released recently reveal that though JAL was privatised in 1987, that has not prevented it from incurring losses necessitating the closure of four important regional headquarters at New York, Seattle, London and Hong Kong and the suspension of operations in India.

Sherry Stephenson (OECD) has attempted an overview of the privatisation experiences in several countries, with particular reference to UK and France. The British government carried out privatisation over the entire decade of the 80s continuing it till 1991, when the privatisation cycle is assumed to have been nearly complete. The French programme lasted for a two-year period only and was stopped with the loss of majority in parliament. In both countries many workers were affected—almost 1 million jobs in the UK and 9,00,000 jobs in France (p 74). Privatisation will indeed be a curse if we have ever to face such consequences! Yet in spite of such massive, planned annihilation of workers, the author concludes, that the two privatisation programmes are considered on the whole, to be highly successful. The primary motivation for such an experiment in UK as well as France included the need for obtaining additional revenues to secure a reduction in budget deficits—an approach which has been roundly criticised as 'selling the family silver'. Ramaswamy Iyer has rightly cautioned in his paper that "if the proceeds realised from the disposal of shares is used by the government to reduce the budget deficit or to avoid the imposition of additional taxes, it will be the case of using capital receipts toward current expenditure" (p 181).

Francois Ettori's (World Bank) paper on 'Options for Restructuring Public Enterprise' is an oversimplified factual recall of public enterprises in India. The listing of general issues and areas for reform follow the usual platitudinous World Bank line: reduce the size of public sector, devolve greater autonomy and restructure the remaining potentially viable units. It has to be remembered that the 47 chronically sick public enterprises mentioned by Ettori include 27 inherited from the private sector. Similarly, the comments on MOUs—e g, their drawbacks in design, that they add to, rather than supersede, the existing controls and hamper their potential budgets—are not supported by any analyses.

Suresh Kumar's paper on 'Non-Privatisation Reforms of Public Enterprises: The Indian Case' cogently argues the case for the altogether new experiment of MOU which seeks to simulate, through a process of consensus and co-operation, a competitive environment, an aspect which gives the mechanism a tremendous strength. Such a mechanism, according to Kumar, "is an ideal one for developing countries in general for improvement of Public Sector performance before resorting to any kind of privatisation" (p 112).

If the public sector was supposed to perform the role of a model producer, a model distributor, a model employer and a model contractor, it is a moot question if privatisation, advocated on limited—largely developed—country experience will ever meet these high expectations when we ought to know well that the interests of a large nation-wide workforce have to be safeguarded even under schemes of rationalisation and reforms. Industrial sickness on grounds of resources or low productivity of capital is not the monopoly of public enterprises in India, as many overseas experts and international lending agencies would have us believe. The number of sick units in the private sector in India exceeds 2,00,000 with blocked funds of commercial banks exceeding Rs 60 billion. In fact, inclusive of the funds provided by developmental institutions (i e, government) and the financial agencies, the total quantum of idle resources would exceed Rs 250 billion, affecting a workforce running into millions.

It is inevitable that in a workshop seeking to identify and understand the new, emerging intervention strategy of privatisation, the quality of papers will be uneven. But even so, some could be categorised as unnecessary and could have been excluded to the relief of the readers. Ponna Wignaraja's 'Privatisation in the New Social Ethos' is a jumble of catch words which have been dished out at innumerable conference without regard for context or serious empirical evidence. But these gaps are more than set off by the painstaking effort of the editor in providing on excellent write-up on 'Major Conclusions' (pp 353-62) followed by a statement of 'The Basic Issues' (pp 363-66). Equally well done is the epilogue, 'An Explanatory Action Plan for Privatisation in India'. These three papers admirably summarise the different issues which interlace the current debate on privatisation. The publication will be welcomed by all those interested in the subject since India has large, strong public and private sectors, each in need of continuing care for improved performance, productivity as well as beneficial concern for the workforce. In our specific context, we have to look for privatisation, in whatever form or style, which is a cure and not a curse. The need is to avoid simplistic advice to adopt privatisation without looking into the possibility of adapting or even rejecting the proffered options.

Strengthening India's Patent System
Implications for Pharmaceutical Sector

H Ashok Chandra Prasad
Shripad Bhat

This paper examines the factors behind the current demand for strengthening the Indian patents system and the effect of such strengthening on the pharmaceutical sector. Against the background of their study of these issues, the authors attempt to arrive at policy conclusions and to answer the following questions: (i) Should India amend its Patents Act, join the Paris Convention or toe the Dunkel line? (ii) If the Patents Act is to be amended, what are the modifications needed? And (iii) what policy changes are needed in the context of the pharmaceutical sector specifically?

I
Introduction

THE issues of Intellectual Property Protection (IPP) is receiving great attention at present and there is great pressure on developing countries in general and India in particular to strengthen their Intellectual Property Rights (IPRs). The purpose of this paper is not to go into the whole gamut of discussions pertaining to IPRs or their evolution in international negotiations.[1] The purpose of this paper is to investigate the following specific issues:

(1) The factors behind the emphasis on strengthening the Indian patent system in India.

(2) The effect of strengthening the Patents Act in the case of India's pharmaceutical sector.

(3) The *modus operandi* for strengthening India's patent regime.

In the light of our study of the above mentioned issues, we have made an attempt to arrive at policy conclusions, which try to answer the following questions: (1) Should India amend its Patent Act, join the Paris Convention or toe the Dunkel line? (2) If India has to amend its Patent Act, what are the modifications needed? (3) What policy changes are needed in the context of patents for the pharmaceutical sector?

The main sources of data for this study are the patents data and company's data at the ISID. The former are available from 1972 to 1989 and the latter from 1974-75 to 1989-90. Besides these data bases, Monthly Index of Medical Specialities (MIMS), Indian Drug Manufacturers Association (IDMA), Organisation of Pharmaceutical Producers of India (OPPI), World Intellectual Property Organisation (WIPO), United Nations Conference on Trade and Development (UNCTAD), Department of Science and Technology (DST), Government of India, etc, have been used wherever necessary.

II
Factors behind Emphasis on Strengthening Patents Regime

In this section, let us examine the important factors behind the new emphasis on strengthening the patents regime in India. This involves the examination of the following factors: (1) The extent of dependence of India on different countries for technology. (2) The situation in developed countries, especially US with respect to their economy, balance of payments position and future growth. (3) The change in the political situation in India, developed countries and world in general.

India's increased dependency on developed countries for technology can be seen by examining three aspects: (1) The importance of different countries in the patents granted by India. (2) The dependency and relative dependency ratio of India with respect to patented technology. (3) The technology gap between India and the developed countries and India and other developing countries and other technology-related indicators of India.

Importance of the Different Countries in the Patents Granted by India

Table 1 shows that the patents granted by India to developed countries forms a major chunk of all patents granted by India and the only important category among the developing countries is the patents granted by India within the country. Among the developed countries, the US (as an individual country) and Europe (as a group of countries) occupy an important place. Since 1982 the percentage of patents granted to Japan is increasing, though it is nowhere near that of the US. Country-wise, the US tops the list of patents granted by India. This is given in the official publication of the government of India[2] which says that the US simply accounted for 40.3 per cent of total applications filed for patents by foreign nationals during 1989-90. This is followed by West Germany, Japan, UK and France. Then comes Switzerland, Russia, Netherlands, Italy and Sweden. Among the developing countries the patents granted by India to Indians is lower than that of the US, individually and Europe in toto. Among the LDCs (other than India), East Europe is very important in 1984-89. Next is Israel and NICs, Malaysia and Thailand. South Asia and Africa are nowhere in the picture.

Table 2 shows the percentage of patents granted by countries and by sectors. Sector-wise, sectors C and B shows the highest percentage of patents granted. Among the countries also C and B sectors are important in the case of the patents granted to developed countries. But in the case of patents granted to Indians all the sectors seem to be well balanced.

Thus, the tables clearly show that India depends on developed countries for technology[3] and that too on a single country like the US or group of countries like European countries. Sector-wise India's dependence is more in C (chemistry, metallurgy) and B (performing operations, transporting) categories. One note of caution is that we have not given weightage to type of patents by the extent of the technology involved.

Dependency and Relative Dependency Ratio of India with Respect to Patents

The dependency ratio (which here, means the total number of patents granted by India to non-Indians as a proportion

given in Table 3 shows that it has been high till 1978, low from 1979 to 1982 and then again higher since 1983. While the total number of patents (both in force and sealed) has fallen, the dependency ratio has not fallen over the years, except for the initial fall from 1968 to 1970 (i e, before the Patent Act was implemented), indicating that India's increased dependency for technology on developed countries has not been allowed to materialise due to the 1970 Patents Act.

The relative dependency ratio (which, here means the total number of patents granted by India to a particular foreign country (or group of countries) as a proportion of the patents granted by India to Indians) also given in Table 3 shows that India's relative dependency ratio is still absolutely higher with Europe than with the US and India's dependency on the US (as an individual country) and Europe (as a group) is more than India's dependency on itself. The relative dependency ratio of India with the US which has always been at a lower level than with Europe fell from 1976 to 1983 and than regained to the earlier level. But the relative dependency ratio on Europe also fell from 1976 to 1980, then it rose, but never regained its earlier level, thus narrowing the gap between the relative dependency ratios on the US (a single country) and on Europe (a group of countries). The relative dependency ratio on Japan, though lower than both the US and Europe, and has shown a fall during 1976 to 1981, has regained its earlier level and even risen to higher levels. The relative dependency ratio of India with other developing countries which is also at a lower level, has also fallen during 1976 to 1981, and then risen, but has never regained its earlier level. Strangely the relative dependency ratio of India with USSR has downs.

Another important fact is that India's dependency ratio in terms of patents in force is higher than in terms of patents sealed as can be seen in Table 4.[4] The table also shows that India's dependency ratios (both in terms of patents sealed and patents in force) before 1972, i e, the period before the 1970 Patents Act was implemented, was very much higher. While during the period 1976-77 to 1980-81 the dependency ratio in terms of patents sealed have shown a fall and then a gradual rise, the dependency ratio in terms of patents in force shows a fall through the entire period after 1976-77. This is possible because of the greater death rate of old patents, though the birth rate of new patents after 1981-82 is rising.

The above analysis brings into focus the following important facts: (1) India's relative dependence on other countries, especially the developed and among them the US and Europe, and among them on the US as a single country has been increasing despite the fact that total number of patents sealed is falling. In today's unipolar world this has far-reaching implications. (2) India's dependency on the west, which fell from 1977 to 1980, coinciding with the Janata Party rule, shows a rise from 1981 during the Congress Party rule. (3) As noted earlier, the fact that total number of patents are falling consequent to the 1970 Patent Act and the fact that dependency on developed countries is not falling, shows that the relative high dependency on western technology has not been allowed to materialise.

Whether a lower dependency ratio is good or bad is a debatable question. But certain inferences can nevertheless be made. For a relatively underdeveloped economy a lower dependency ratio indicates that it is less dependent on foreign does not mean that it is good for the economy as technology transfer will be low, while the economy has not yet reached a stage of relative self sufficiency in technology.

However at this stage we are concerned only with showing India's relative dependence on other countries for technology which has put pressure on India to accept the new IPRs and the above analysis clearly shows India's continued dependence and increasing dependence on developed countries for technology in terms of patents in force and patents sealed respectively.

Indicators of Technology Gap and Other Technology-Related Indicators

The technology gap between India and developed countries and India and other developing countries can be judged with the help of comparative indicators of technology like expenditure on R and D as a percentage of GNP, per capita R and D expenditure, number of scientists, engineers and technicians (SET) per thousand population, SET in R and D per thousand population.

The other technology-related indicators of India which show its dependence on technology from other countries, especially the developed countries are the following: (1) India's trade in technology-intensive products; (2) External assistance for S and T programmes received by India; (3) Foreign investments in India; and (4) Royalties, lumpsum amounts, technicians' fees, etc, received and paid by India.

In Table 5, the comparative technology indicators of India and other countries are given. Column 1 gives the expenditure on R and D as a percentage of GNP for selected countries. This column shows that India invests a very small percentage

Table 1: Patents Granted by India: Share of Different Countries (1972-1989)

(In per cent)

Year	Ind	UK	USA	Jap	Fra	WGm	Rus	Can	Aus	Ast	Bel	Den	Net	Nor	Swe	Sws	Italy	DCs	Europe	LDCs
1972	20.18	13.04	26.61	3.88	3.35	10.57	1.94	1.15	0.26	0.18	1.41	0.79	2.20	0.44	1.23	3.44	4.14	75.24	41.32	5.198
1975	20.16	11.31	24.85	4.10	5.80	9.91	2.46	0.59	1.11	0.47	0.70	0.64	2.11	0.23	1.52	4.04	3.87	74.15	40.97	3.458
1976	24.81	11.86	23.42	3.13	4.03	11.30	2.26	1.02	0.75	0.56	0.83	0.83	2.64	0.34	0.98	2.56	3.50	70.33	39.65	3.351
1977	27.88	9.39	22.45	2.81	3.71	12.81	1.98	1.26	0.83	0.47	0.72	0.79	1.87	0.58	1.44	3.13	2.84	67.66	38.31	2.518
1978	26.62	9.24	24.47	2.52	4.12	10.70	3.11	0.55	0.64	1.01	0.14	0.59	2.10	0.59	0.69	3.48	3.93	68.62	37.28	3.934
1979	36.69	7.95	23.14	2.56	3.41	8.80	1.85	0.43	0.92	0.35	0.14	0.14	2.13	0.14	1.14	3.62	2.06	59.76	30.87	7.310
1980	36.50	8.51	20.65	2.45	4.89	9.30	2.64	0.68	0.59	0.78	0.39	0.29	1.96	0.20	0.98	2.74	2.54	60.47	33.46	0.685
1981	32.85	9.00	21.33	1.95	3.89	10.71	2.76	1.38	0.65	0.81	0.32	0.24	1.70	0.24	1.87	4.14	2.35	63.99	35.93	3.650
1982	30.59	7.70	22.00	4.52	3.78	11.63	2.96	0.96	1.04	0.30	0.37	0.15	1.85	0.37	1.04	3.63	2.30	65.41	33.85	2.444
1983	24.87	5.94	24.16	5.62	4.84	13.76	3.23	0.58	0.84	1.23	0.71	0.39	1.81	0.32	0.65	4.91	2.33	72.03	37.53	0.323
1984	21.75	8.59	25.76	4.64	6.16	12.13	2.32	0.77	1.03	0.96	0.70	0.55	2.84	0.37	1.18	3.39	2.73	75.19	40.47	2.912
1985	25.29	8.82	26.26	5.51	4.74	8.98	1.48	0.82	1.12	0.51	0.36	0.76	2.80	0.46	1.27	3.16	3.11	71.65	36.36	2.346
1986	28.95	7.71	27.54	4.16	6.30	9.67	1.10	0.24	1.16	0.86	0.18	0.37	1.53	0.31	1.53	2.08	2.33	67.99	33.72	2.938
1987	25.60	9.17	27.71	4.07	6.66	8.73	1.66	0.68	1.05	0.75	0.48	0.54	1.29	0.20	1.63	3.57	2.17	71.71	36.37	2.309
1988	22.20	6.61	29.27	4.61	5.84	11.39	3.47	1.06	1.76	1.06	0.33	0.20	1.80	0.16	1.18	3.80	1.84	75.18	34.82	2.367
1989	19.70	5.15	29.29	5.98	5.27	12.01	3.14	1.24	2.54	0.65	0.41	0.59	2.43	0.41	1.42	3.43	2.31	77.22	34.91	2.367

Source: Calculated from the data available at the ISID.

of GNP on R and D, 0.9 per cent in 1990, while most of the advanced countries devote more than 2 to 3 per cent of their GNP on R and D. Even Pakistan is ahead of India with 1 per cent expenditure on R and D in 1987. The gap becomes more sharper when we examine the per capita R and D given in column 2. India is at a very low level of the US $ 2.76, while most developed countries are above the US $ 200 level and some even above the US $ 500 level. NICs like Republic of Korea and Singapore show a level of the US $ 75 and 68 respectively. Column 3 shows the number of SET per thousand population which is also at a very low level of 4.50 in 1990 which is lower than the developed countries, NICs and even other developing countries like Brazil, Philippines, etc. This fact should make us realise that though India boasts of being one of the most important nations in the world in terms of SET, in relation to India's population, India is at a very very low level. Similarly SET in R and D per thousand of the population is at a very low level as can be seen in column 4.

Table 6 shows the export and import market shares of some selected technology-intensive products of India and some other countries. This table shows that India's import market shares are higher than export market shares and is also relatively higher than most of the other countries given in the table for almost all the four categories of technology-intensive goods.

Table 7 shows that the share of imports of technology-intensive products are high in India's imports and have risen in the 80s, though it shows some ups and downs as well. More important, is the fact that while the ratio of exports to imports is at the 0.50-0.70 range in the 80s the ratio of technology-intensive exports to technology-intensive imports is still lower at the 0.11 to 0.26 range. This shows that while India is relatively more dependent on other countries in its commodity trade, it is more so in the case of technology-intensive commodity trade. The ratio in the case of trade of others commodities is more than 1 in all the years indicating clearly that India's adverse balance of trade has been due to trade in technology-intensive products. The only point of solace for India is that the ratio is almost constant over the years in the case of technology trade, while it has fallen in the 80s in the case of total trade.

Table 8 shows the external assistance received by India for S and T programmes which is a sizeable amount of US $ 110.35 million in 1987. Among the donors the bilateral sources are more important than multilateral sources, indicating India's greater dependence for technology

TABLE 2: SHARE OF PATENTS IN EACH CATEGORY OF IPC TO TOTAL—COUNTRYWISE (1972-198

Category	UK	USA	WGm	Fra	Jap	Ind	Rus	Other DCs	Oth LDC
				1972-74					
A	6.33	7.95	4.17	2.63	27.27	18.34	4.55	6.18	15.3
B	34.81	33.11	16.67	28.95	18.18	19.65	31.82	23.60	23.0
C	18.99	31.46	50.83	44.74	43.18	20.09	18.18	- - 38	41.0
D	7.59	4 30	12.50	0.00	0.00	6.11	4.55	7.30	0.0
E	1 27	1.99	2 50	0.00	0 00	6.11	0.00	3.93	7.6
F	10.29	7.28	4 17	10 53	0.00	12.23	13.64	6 74	7.6
G	7.59	3.64	3 33	2.63	6.82	10.92	13 64	1.12	0.0
H	10.13	10 26	5.83	10.53	4.55	6.55	13.64	6.74	5.1
				1975					
	UK	USA	WGm	Fra	Jap	Ind	Rus	Other DCs	Othe LDC
A	5.76	11.79	5.92	4.04	8.57	11.92	0 00	6.08	6.8
B	28.27	19.81	18.34	15.15	22.86	21.80	35.71	17.87	17.0
C	17.80	30.19	38.46	45 45	42.86	26 16	9.52	44.87	43.1
D	5.24	2.83	8.28	6.06	0.00	3.78	0.00	10.27	5.6
E	3.66	2.83	1.18	3.03	4 29	4.65	4.76	3.80	3.4
F	18.85	11.32	9.47	13.13	8.57	7.56	7.14	7.60	6.8
G	3 14	6.60	2.37	9.09	2.86	9.88	2.38	4.18	1.1
H	17.28	14.62	15 98	4 04	10.00	14.24	40.48	5.32	15.9
				1980					
	UK	USA	WGm	Fra	Jap	Ind	Rus	Other DC's	Other LDCs
A	8.05	9.00	5.26	2.00	16.00	12.87	7.41	7.56	6.45
B	28.74	32.70	27.37	20.00	8.00	21.98	22.22	26.05	32.26
C	13.79	27.49	22.11	26.00	48.00	25.74	7.41	28.57	41.94
D	2.30	1.90	11.58	2.00	4.00	4.29	0.00	8.40	0.00
E	6.90	3.32	2.11	16.00	4.00	5.36	3.70	5.88	6.45
F	18.39	12.80	12.63	28.00	12.00	11.80	14.81	8.40	6.45
G	3.45	2.84	5.26	2.00	4.00	8.04	22.22	9.24	0.00
H	18.39	9.95	13.68	4.00	4.00	9.92	22.22	5.88	6.45
				1985					
	UK	USA	WGm	Fra	Jap	Ind	Rus	Other DC's	Other LDCs
A	10.12	13.40	2.84	2.15	9.26	14.31	0.00	11.40	14.29
B	23.81	24.08	21.59	26.88	18.52	18.35	10.34	25.08	19.64
C	23.21	25.83	42.05	32.26	37.96	29.23	31.03	26.06	33.93
D	1.19	2.52	10.80	7.53	4.63	3.83	0.00	9.12	3.57
E	5.95	2.52	1.14	3.23	1.85	5 44	17.24	4.89	8.93
F	21.43	14.76	9.09	16.13	7.41	15.93	24.14	13.36	7.14
G	3.57	5.63	3.98	3.23	3.70	5.85	6.90	3.58	1.79
H	10.71	11.26	8.52	8.60	16.67	7.06	10.34	6.51	10.71
				1989					
	UK	USA	WGm	Fra	Jap	Ind	Rus	Other DCs	Other LDCs
A	4.65	11.11	3.94	7.87	11.88	15.02	11.32	7.66	23.53
B	30.23	16.57	21.18	17.98	13.86	18.02	26.42	27.01	19.61
C	13.95	29.29	29.06	32.58	30.69	30.93	33.96	28.10	21.57
D	0.00	2.83	8.87	3.37	2.97	3.60	0.00	7.30	0.00
E	10.47	1.21	2.46	3.37	0.00	8.41	1.89	4.01	7.84
F	23.26	16.36	14.29	8.99	18.81	9.61	16.98	14.23	15.69
G	4.65	9.49	4.43	13.48	5.94	8.71	1.89	5.84	3.92
H	12.79	13.13	15.76	12.36	15.84	5.71	7.55	5.84	7.84

Notes : As per International Patent Classification; A = Human Necessities; B = Performing Operations, Transporting; C = Chemistry, Metallurgy; D = Textiles, Paper; E = Fixed Constructions; F = Mechanical Engg, Lighting, Heating, Weapons, Blasting; G = Physics; H = Electricity.

Source. Calculated from the data available at the ISID.

bilateral or unilateral than multilateral sources. Here of course, the European countries are the principal donors.

Table 9 shows the foreign investment stocks till 1989 and fresh approvals to India in the 90s. The table shows that the manufacturing sector and in this the technology-intensive products have been important in the foreign investment stocks till 1989. Among the new approvals also (in terms of numbers) technology-intensive sectors have been important till 1990. The total approvals of foreign investments in 1992 is more than the stock of foreign investments till 1989, and the US has a major share in the new approvals. The technology gap between India and the developed countries is cited as the important reason for liberalisation of foreign investment and today India is dependent on the developed countries in general and the US in particular for technology transfer via foreign investments. In fact 60 per cent of foreign direct investment approvals between August 91 to February this year is by the US.[5]

Table 10 shows the payments and receipts by India for technology trade in the form of royalties, technical know-how and technicians' fees. Royalties are mainly the payments/receipts of recurring nature related to patented technology; technical know-how payments/receipts are mainly for lumpsum (non-recurring) royalties[6] and technicians' fees are the payments/receipts for technicians. While the receipts are small under all categories, payments are quite substantial, with payments for technical know-how becoming increasingly important in the 80s. This shows the preference in the 80s of the government to purchase technology for lumpsum payments. This of course decreases our dependence on foreign countries to some extent, yet lumpsum payments can be for both patented and non-patented technology and on the whole India's dependence has been increasing. If we see the percentage change in the nine-year period of 80s over 70s (from 1971-72 to 1979-80), lumpsum payments show a per cent increase of 1,099 per cent whereas for royalties it is 343 per cent. A remarkable increase in payments of management fees, etc, and payments for other professional service (which are also related to technology transfer) has taken place in the 80s.

The above analysis clearly shows the technology gap between India and other countries and India's continued and increasing dependence on advanced countries in general and some countries (the US) and groups of countries (Europe) in particular for technology.

Economic Situation in Developed Countries

In the earlier section, we have noted the continued domination of developed countries and the growing technology gap between developed countries and developing countries like India. Here we intend to show how the changing economic situation in the world and in the developed countries have made them to focus their attention on issues like IPRs. (Here we consider some important indicators needed for our analysis like exports, imports, trade balance, current account balance, growth rate of exports, imports, etc, for the world and some developed countries like the US, the UK, etc, and trade between DCs and trade of LDCs with DCs.)

Table 4: Dependency Ratio of Patents Sealed and Patents in Force

Year	No of Patents Sealed		No of Patents in Force		Dependency Ratios	
	Indian	Foreign	Indian	Foreign	P Sealed	P Force
1968	426	3704	3547	37816	8.7	10.7
1969	645	4308	2231	25483	6.7	11.4
1970	596	2936	2568	25753	4.9	10.0
1971	629	3294	3063	27663	5.2	9.0
1972	265	1245	3673	28650	4.7	7.8
1972-73	278	1064	3718	28718	3.8	7.7
1973-74	358	1058	3948	28270	3.0	7.2
1974-75	737	3207	3039	24758	4.4	8.1
1975-76	426	1894	2991	23453	4.4	7.8
1976-77	928	1964	2746	19780	2.1	7.2
1977-78	657	1857	3065	19795	2.8	6.5
1978-79	281	499	2469	13966	1.8	5.7
1979-80	516	1657	2786	14474	3.2	5.2
1980-81	349	670	2757	14448	1.9	5.2
1981-82	421	936	3038	14892	2.2	4.9
1982-83	405	822	3329	15291	2.0	4.6
1983-84	340	980	3523	15726	2.9	4.5
1984-85	263	1206	3008	13162	4.6	4.4
1985-86	451	1500	2549	10844	3.3	4.3
1986-87	532	1594	2004	10059	3.0	5.0
1987-88	588	1516	2150	10115	2.6	4.7
1988-89	795	2585	2584	11015	3.3	4.3

Source: GOI, Department of Science and Technology, *Research and Development Statistics* (various issues).

Table 3: Relative Dependency Ratio of Patents and Its Index Numbers

Year	Dependency Ratios of India						Index Numbers of Dependency Ratios					
	In General	With USA	With Japan	With Europe	With LDCs	With USSR	In General	With USA	With Japan	With Europe	With LDCs	With USSR
1972	3.956	1.319	0.192	2.048	0.227	0.096	100.000	100.000	100.000	100.000	100.000	100.000
1975	3.959	1.233	0.203	2.032	0.282	0.122	100.075	93.462	105.906	99.216	124.178	127.088
1976	3.030	0.944	0.126	1.598	0.196	0.091	76.595	71.570	65.550	78.020	86.206	94.772
1977	2.587	0.805	0.101	1.374	0.160	0.071	65.391	61.054	52.381	67.098	70.462	73.871
1978	2.756	0.919	0.095	1.400	0.179	0.117	69.661	69.704	49.184	68.375	78.694	121.618
1979	1.725	0.631	0.070	0.841	0.097	0.050	43.610	47.814	36.241	41.083	42.590	52.347
1980	1.740	0.566	0.067	0.917	0.083	0.072	43.979	42.895	34.883	44.769	36.600	75.347
1981	2.044	0.649	0.059	1.094	0.096	0.084	51.675	49.241	30.842	53.409	42.407	87.385
1982	2.269	0.719	0.148	1.107	0.131	0.097	57.345	54.530	76.871	54.029	57.581	100.814
1983	3.021	0.971	0.226	1.509	0.125	0.130	76.353	73.661	117.609	73.685	54.905	135.183
1984	3.598	1.185	0.214	1.861	0.141	0.107	90.951	89.837	111.148	90.868	61.952	111.148
1985	2.954	1.038	0.218	1.438	0.121	0.058	74.656	78.733	113.325	70.189	53.272	60.860
1986	2.455	0.951	0.144	1.165	0.106	0.038	62.041	72.141	74.822	56.879	46.552	39.612
1987	2.906	1.082	0.159	1.420	0.105	0.065	73.448	82.063	82.831	69.355	46.141	67.645
1988	3.504	1.318	0.208	1.568	0.118	0.156	88.559	99.942	108.109	76.562	51.810	162.642
1989	4.075	1.486	0.303	1.772	0.156	0.159	103.001	112.717	157.856	86.511	68.769	165.670

Source: Calculated from the data available at the ISID.

Table 11 shows the exports, imports, trade balance, current account balance, export and import of goods and non-factor services in GDP for the world, industrial countries in total and for some industrial countries and developing countries. The table shows an increase in trade and current account deficits for countries like the US.

In Table 12 the growth of trade in manufactures is given which shows that in the 80s there is a fall in growth rate of exports of the world in general, a relatively greater fall in exports of developed market economies to developing countries as compared to their exports to developed countries. Further while the exports from developed to developing economies has fallen to a great extent, exports from developing to developed countries shows a still greater fall. Thus the developed countries are depending less on developing countries for imports weakening the position of developing countries. Meanwhile the growing balance of payments deficits of the developed countries, especially the US has made them to search for new areas of interest to them and IPRs is one such area. Table 11 also shows that the balance of payments for Japan and West Germany are positive and they are neither the initiators, nor vociferous in demanding IPRs. While the weakness of India and LDCs have further weakened them in their bargaining power, the weakness of the economic situation of the US and other European countries have made them vociferous in the three new issues 'Services', TRIPS, and TRIMS.

Change in World Political Scenario

The change in the world political scenario has also contributed to the new emphasis on TRIPS. The fall of the Soviet Union has made this world a unipolar world with the US as the only superpower. The political and economic weaknesses in India had made it vulnerable at the very moment when the US started mounting pressure to liberalise. Many developing countries, which were hitherto opposed to the new patents regime have mellowed down and even adopted the new regime. The fall in the importance of UN agencies like UNCTAD (which also have slowly shifted to the philosophy of liberalisation) and the rise in importance of World Bank-IMF combine and the dependence of India on these organisations have enabled the US and other MDCs to pressurise India to accept the new patents regime.

To sum up, while the dependence of India on different countries for technology had prepared the ground and the economic conditions of the advanced countries have made the developed countries more vociferous, the changed political situation in the world and in India, have finally paved the way for pressurising India to change its patents regime.

III

Impact of Strengthening Patents Regime on Drugs and Pharmaceuticals

The impact of strengthening the patents regime on drugs and pharmaceuticals can be seen under the following headings: (a) Effect on prices, (b) Other effects—(i) Effects on different sections of the population; (ii) Effect on Indian industrial sector in general and by types of companies in particular; (iii) Effect on other sectors of the economy via linkages; (iv) Effect on technology transfer to India, development of indigenous technology and quality of drugs; and (v) Effect on balance of payments.

Effect on Prices

The most debated issue at present regarding the impact of strengthening the patents regime on the Indian pharmaceutical sector is one of rise in prices. However, the arguments of many supporters and opponents of India's present patents regime are not backed by data and also data given by alternative sources differ greatly. A rigorous quantification of this aspect, though not impossible, is difficult at this stage. So we have made an attempt to arrive at logical conclusion weaving together pieces of data which are readily available to us. The effect on prices can be seen by examining the following aspects: (i) Examining the changes in drug prices before the present patents regime and immediately after the introduction of the present patents regime; (ii) Examining the impact on prices in India and prices in other countries which have/have not

Table 5: Comparative Technology Indicators for Selected Countries

Country	Expenditure on R and D as Percentage of GNP		Per Capita R and D in US Dollar		Scientists, Engineers and Technicians (SET) Per Thousand Population		SET in R and D Per Thousand Population	
	R and D Per Cent of GNP	Year	R and D (US $)	Year	SET	Year	SET	Year
Brazil	0.4	1985	6.41	1985	11.23	1980	0.39	1985
Philippines	0.1	1984	0.68	1984	36.65	1980	0.12	1984
Cuba	0.9	1987	NA	NA	14.35	1981	2.01	1989
India	0.9	1990	2.76	1990	4.5	1990	0.27	1990
Pakistan	1.0	1987	2.91	1987	4.71	1990	0.15	1988
Singapore	0.9	1987	68.14	1987	26.63	1980	1.85	1987
Spain	0.6	1986	45.97	1987	36.47	1986	0.74	1987
Australia	1.3	1987	153.85	1987	53.08	1986	3.33	1988
Canada	1.4	1987	216.06	1987	184.81	1986	3.4	1988
Rep of Korea	1.9	1988	75.21	1988	53.14	1981	2.2	1988
Germany	2.8	1987	523.98	1987	77.84	1987	4.71	1987
France	2.3	1987	364.13	1987	NA	NA	5.07	1988
Hungary	2.4	1988	60.82	1988	45.76	1984	3.76	1989
Japan	2.8	1987	558.8	1987	111.14	1987	6.05	1989
Sweden	3	1987	577.57	1987	NA	NA	6.14	1987
UK	2.3	1986	226.83	1986	NA	NA	NA	NA
USA	2.6	1988	514.70	1988	21.46	1988	3.85	1988
Czechoslovakia	4.5	1988	177.43	1988	35.45	1980	6.94	1989
GDR	4.6	1988	NA	NA	103.23	1988	11.7	1989
Israel	3.7	1983	246.43	1983	82.6	1984	5.77	1984
USSR	6.2	1988	NA	NA	125.82	1987	5.97	1990

Sources: (a) GOI, Department of Science and Technology, *Research and Development Statistics* 1990-91.
(b) GOI, DST: *Pocket Data Book*, 1989.

Table 6: Export and Import Market Shares in Per Cent of Some Selected Technology Intensive Products of Certain Countries for 1986

Country	Chemical and Allied Products		Machinery		Electrical Equipment		Primary Metals	
	Export	Import	Export	Import	Export	Import	Export	Import
USA	14.35	14.17	20.44	12.57	9.02	10.88	1.79	4.51
FRG	15.1	18.89	20.49	11.17	8.14	6.89	6.18	6.3
Japan	5.44	30.65	20.82	4.11	20.75	2.87	6.79	4.2
India	10.41	41.37	3.14	14.49	1.39	3.39	0.91	9.85
Rep of Korea	6.59	27.04	4.77	16.88	17.18	2.49	6.07	6.39

Source: GOI, Department of Science and Technology, *Pocket Data Book 1989*.

dopted the new patents regime; and (iii) examining the value of foreign patented rugs and drug formulations in India at resent and examining the possible impact n prices by strengthening the patents egime.

The present patents regime commenced with the Patents Act of 1970 which ecame operative from 1972. Studies by Mehrotra and others[7] have shown that he prices of drugs and drug formulations ell considerably after the introduction of he 1970 Patents Act and "both the public ector and private sector companies were nvolved in the technological development vhich helped India boost its bulk-drugs ormulations". Misuse of patents by TNCs ave also been highlighted in these studies. he study of Agarwal and others[8] shows hat prices of many drugs outside the purview of the Drug Prices Control Order DPCO) have also fallen. A look at Table 3 shows that the price index of pharmaceutical items is lower than the price ndex of all commodities for most of the ears. The drug price index which shows rise by 41.9 points by 1970-71 with 961-62 as the base year and is lower than he index for chemicals and chemical products and for all commodities, is uniformly lower than the price increases of all ommodities in the 70s and 80s. Even in he 60s the price index for other commodities was higher than the price index of drugs by the same times or higher in ome years (1964-65 and 1966-67), and ence one cannot consider that the 1970 Patents Act as the main factor affecting prices of drugs. In fact the more important factor which has kept the drug prices under control directly is the DPCOs and even today 74 per cent of the drugs and formulations in India are under control. The effect of patents on prices comes indirectly through increase in input costs, necessitating price rises.

The above analysis shows that though the relatively lower rise in prices of pharmaceuticals in the 70s and 80s are due to the two important factors, namely (1) the relaxation in the patents regime helping indigenous units, and (2) the drug price control act (especially the 1970 act). The latter is not only the more important of the two, but overshadows the former in its effects. Today also the above two factors are still in effect, while the Indian drug industry has come to age and become quite competitive and capable of producing a major portion of the necessary drugs and drug formulations. As stated by Patel D S currently, this segment (Indian companies) of the (pharmaceutical) industry contributes more than 60 per cent of the country's production and demand. The national sector is involved in the manufacturing of life-saving drugs not only for the local market but also for the international market. India became self-sufficient in various raw materials by producing them indigenously ... it led to the creation of a strong R and D set-up. It also gave rise to the development of the ancillary industries and petrochemical projects. Thus a strong base was created which resulted in the growth of the industry. The post- 1980's era saw more changes in the pharmaceutical industry, as it became a global player. The industry started exporting bulk drugs which were earlier being imported. In the process the industry became a foreign exchange earner and net exporter. Today, in certain products, India is the only supplier or controls a major share of the market.[9] Further as observed by Mehrotra N N[10] the process technology involved for many of the drugs produced by the Indian sector companies "fall under the term high-technology as defined by the Ramanathan Committee of the government of India for the same while examining the technology status of foreign companies".

In Table 14 we have computed the revealed competitive advantage (RCA) and revealed comparative disadvantage (RCD) of the pharmaceutical sector of India and some developed and developing countries, following both the market share approach and Bela Balassa approach.[11] The table shows that RCA (market-share method) of India in 1988 compared to other countries is high and RCD quite low. If RCA (Bela Balassa method) is considered then India's RCA in 1988 compared to 1980 has increased and is more than all the developed and developing countries given in the table except for Indonesia and Malaysia. But RCA in 1988 compared to 1970 of India is the highest. India's RCD (Bela Balassa method) in 1988 compared to 1980 is quite low compared to the developed and some developing countries. While RCD of India in 1988 compared to 1970 is high, it is lower than many underdeveloped countries. In 1988 compared to 1980 only India, Indonesia and Malaysia have relatively higher RCAs and lower RCDs. In 1988 compared to 1970, only the US and UK have relatively higher RCAs and very low RCDs. But India has very high RCA and relatively high RCD. On the whole the above analysis shows that India's RCA has improved remarkably and RCD has become less compared to even the developed countries.

While opponents to change in the patent system emphasise that competitive position has been achieved by India due to India's patent regime, in the case of drugs and pharmaceutical we have seen that this has been possible mainly due to PCO and then due to the present patents regime. So while there is no need to fear much, any changes in the patents system, we have to be more careful of a sudden decontrolling of the prices in this sector.

TABLE 8: EXTERNAL ASSISTANCE FOR S AND T PROGRAMMES SECURED BY INDIA, 1987

	Total (Mn US$)	Percentage to Total
I Multilateral (Total UN system)	43.92	39.8
II Bilateral	65.36	59.2
of which		
UK	24.85	22.5
FRG	7.90	7.2
Norway	7.77	7.0
USA	6.87	6.2
Switzerland	4.54	4.1
Denmark	4.07	3.7
Italy	2.89	2.6
France	1.91	1.8
Netherlands	2.11	1.9
Australia	1.21	1.1
Canada	0.89	0.8
Sweden	0.31	0.3
New Zealand	0.04	0.0
III Non-Governmental Organisations	1.07	1.0
Ford Foundation	0.72	0.7
IDRC	0.35	0.3
Grand total	110.35	100.0

Source: GOI, Department of Sceience and Technology: *Research and Development Statistics*, 1990-91.

TABLE 7: INDIA'S TRADE IN TECHNOLOGY-INTENSIVE PRODUCTS

(In Percentage)

Year	Exports (Per Cent)	Imports (Per Cent)	Value of Exports/Imports		
			Total	Technology Intensive	Others
1965-66	6.5	67.2	0.58	0.06	1.65
1970-71	17.2	62.8	0.93	0.26	2.07
1975-76	19.6	64.8	0.76	0.23	1.75
1980-81	16.9	80.1	0.53	0.11	2.22
1981-82	20.6	77.1	0.57	0.15	1.98
1982-83	28.8	78.4	0.61	0.23	2.03
1983-84	28.8	71.9	0.62	0.25	1.57
1984-85	28.7	74.3	0.69	0.26	1.9
1985-86	19.3	75.0	0.55	0.14	1.78

Source: GOI, Department of Science and Technology, *Pocket Data Book 1989*.

Comparative Prices of Pharmaceuticals

As mentioned earlier, the rise in prices of drugs and medicines in India has been lower than the rise in prices of chemicals and chemical products and all commodities But these indices are based on a sample of 12 bulk drugs and 19 formulations only and almost all these drugs are under price control [1] However, we should note that at present, though the number of drugs under price control has been reduced from 375 drugs (and their formulations) to 145 bulk drugs (and their formulations), actual control in terms of sales has declined only marginally from 79 per cent to 74 per cent So, the results of the price indices (which includes the drugs under price control) broadly reflect changes in the pharmaceutical sector

The table given by the OPPI (Table 15) shows that the prices of important drugs in India have risen in 1992 compared to 1986 though marginally in many cases Our calculations (Table 16) of a larger sample of drugs (which are usually quoted) also show a rise in price of important drugs, also marginally in many cases However these drugs are not important in terms of their percentage in total consumption in India So in Table 17 we have given the prices of some of the drugs which form a major share of India's consumption In the case of these drugs the prices are constant or have risen very marginally The more important aspect is that the drugs quoted by Keayla, IDMA, etc, are U S patented drugs, while the drugs quoted in Table 17 are off patent or ones whose patents have expired and are the most important items consumed by India This further highlights the fact that in the case of a major percentage of drugs and medicines consumed in India, prices are not greatly affected by patents On the other hand, the DPC O has been a major influence on prices, while many people have been (knowingly or unknowingly) highlighting the prices of drugs patented, which form a very small percentage of the total consumption in India In fact B K Keayla[13] has written "A committee of the US senate (Kefauver Committee) had commented in 1959 that 'Prices of certain drugs and antibiotics in India were amongst the highest in the world and that in drugs, India was one of highest priced nations' This was before the enactment of the Patents Act 1970 It is noteworthy that prices of drugs in India are now amongst the lowest in the world The above price comparisons are only a few examples In most countries which followed product patents, prices of these and other pharmaceutical products are as high if not even higher" While it is true that the US Senate had commented in 1959 that prices were very high in India and the prices after 1970 when the Patents Act 1970 was enacted were low, the low prices especially in the 70s and 80s is not a logical conclusion of changes in patents system rather it is due to the DPC O in India which was also introduced in 1970 and the 1962 Drug (Display of Prices) Order

Further in the list usually taken by Keayla and others few drugs are under DPC O (while most of them are under product patents abroad), while in our list which covers a major part of India's consumption all are under DPC O and few are under product patents abroad Thus even by introducing product patents, a major portion of drugs (given in Table 17) will not be affected while removal of price control (vehemently proposed by both OPPI and IDMA) will surely affect the major percentage of drugs consumed in India Thus not only are prices for drugs low in India, a major part of them are off patent and the DPC O has been successful in limiting the rise in prices of drugs

If we compare the prices of some drugs in India and other countries (Table 15) we can notice that drug prices are comparatively lower in India In fact as mentioned in the IDMA OPPI joint report,[14] "Drug prices in India are among the lowest in the world" This is a fact confirmed by the Tariff Commission and official surveys and studies As can be seen in Table 18, compared to advanced countries like UK and the US, drug prices in India are very much lower But it may be argued that comparison of drug prices between India and advanced countries, by converting the prices in terms of foreign currencies to rupees may not be appropriate unless it is for purpose of trade and for imported drugs However compared to India's immediate neighbours also (where useful comparisons can be made), prices in India are comparatively low both in 1986 and 1992 and the rise lower and fall greater from 1986 to 1992 for many drugs (Table 18) Among the Asian countries Sri Lanka and Indonesia have joined the Paris convention in 1952 and 1950, respectively Pakistan, like India has not joined the Paris convention Indonesia under its liberalisation policy has extended "deregulation in investment procedures to agriculture and the pharmaceutical industry"[15] while in 1992 it accepted product patents and interestingly the prices of important drugs in Indonesia are very much higher compared to prices in India especially in 1992 and this rise cannot be due to product patents introduced in the same year This shows that price changes in pharmaceutical sector are not mainly due to patents and as seen in the Indian

Table 5 Foreign Direct Investment Industrywise and Countrywise

(Rs Crore)

Industry	FDI Stock End March 1987	1988	1989	Industry	Number of Foreign Collaboration Approvals 1989	1990
Total	1742	2045	2302	Total	605	666
Manufacturing	1492	1768	1990	*of which*		
of which				Electrical Equipment	99	88
				Telecommunication	37	69
				Transportation	30	22
Chemicals and Allied Product	516	604	647	Industrial Machinery	59	75
Machinery and Machine Tools	210	249	294	Misc Mechanical and Engg Industry	26	88
Electrical Goods and Machinery	207	236	286	Industrial Instruments	35	38
Transport Equipment	173	199	245	Chemical (other than		
Metals and Metal Products	85	124	170	Fertilisers)	66	66

Country	FDI Stock End March 1987	1988	1989	FDI Approvals 1990	1991	1992
Total	1742	2045	2302	128 32	534 11	3887 54
of which						
UK	901	1039	1127	9 06	32 1	117 67
USA	332	396	460	34 48	185 85	1231 50
West Germany	154	187	229	19 51	41 8	86 27
Switzerland	65	79	80	13 50	35 5	689 76
Japan	64	83	112	5 00	52 71	610 23
NRIs				5 24	19 7	439 13

Source For FDI Stock, RBI India's Foreign Liabilities and Assets as on March 31, 1989' *RBI Bulletin* February 1993 For Countrywise FDI approvals *Economic Survey*, 1992-93 and for Industrywise approvals Department of Industrial Development, *Handbook of Industrial Statistics* 1991 93

TABLE 10: INDIA'S TECHNOLOGY BALANCE OF PAYMENTS—1972-73 TO 1988-89

(Rs in crore)

Year	Payments						Receipts						Tech-nology BoP	Tech-nology Related BoP	Total Tech-nology and Tech-nology Related BoP
	Royal-ties	Tech-nical Know-how	Techni-cians' Fees	Other Prof Fees	Mana-gement Fees, Etc	Total	Royal-ties	Tech-nical Know-how	Techni-cians' Fees	Other Prof Fees	Mana-gement Fees, Etc	Total			
1972 - 73	7.3	11.3	8.2	2.7	26.0	55.5	0.2	0.4	5.3	0.8	14.3	21.0	-25.8	-13.6	-34.5
1973 - 74	6.2	14.1	10.1	2.8	28.9	62.1	0.1	0.1	2.7	0.5	18.9	22.3	-30.1	-12.3	-39.8
1974 - 75	8.5	12.5	7.4	3.4	33.1	64.9	0.1	0.5	0.2	1.1	21.1	23.0	-27.3	-14.3	-41.9
1975 - 76	10.5	25.7	7.1	4.1	50.9	98.3	0.2	0.5	0.7	1.3	25.2	27.9	-42.1	-28.5	-70.4
1976 - 77	15.9	37.8	10.3	13.2	73.1	150.3	0.1	0.9	0.9	3.1	25.8	30.8	-62.1	-57.4	-119.5
1977 - 78	19.5	28.1	10.2	37.6	80.0	175.4	0.2	1.1	0.5	4.6	30.2	36.6	-55.4	-82.8	-138.8
1978 - 79	12.7	55.5	45.4	8.0	96.2	217.8	0.1	6.1	0.5	3.3	58.8	68.8	-101.3	-42.1	-149.0
1979 - 80	9.6	44.0	9.1	11.3	185.5	259.5	0.1	1.9	0.7	7.2	73.7	83.6	-58.8	-115.9	-175.9
1980 - 81	8.9	98.0	22.6	11.9	146.6	288.0	0.1	3.1	1.2	5.1	74.5	84.0	-123.2	-78.9	-204.0
1981 - 82	16.0	270.7	13.1	13.9	261.0	574.7	0.2	5.8	2.1	6.7	90.8	105.6	-288.0	-177.4	-469.1
1982 - 83	39.7	258.6	30.1	42.0	210.6	581.0	1.0	8.1	1.9	8.4	198.6	218.0	-311.2	-45.6	-363.0
1983 - 84	27.6	314.9	26.1	45.3	233.5	647.4	0.5	6.0	2.3	7.0	153.6	169.4	-356.1	-118.2	-478.0
1984 - 85	28.5	300.6	29.9	82.6	294.6	736.2	0.1	3.6	3.2	8.9	232.4	248.2	-351.7	-135.9	-488.0
1985 - 86	23.5	367.8	42.0	69.5	331.7	834.5	0.3	8.3	4.1	10.2	172.8	195.7	-416.4	-218.2	-638.8
1986 - 87	40.1	358.4	71.0	105.7	447.9	1025.1	0.6	12.8	2.7	6.6	214.3	237.0	-445.3	-332.7	-788.1
1987 - 88	60.4	459.3	103.0	282.0	470.2	1374.9	1.4	6.3	5.0	12.4	347.8	372.9	-608.7	-392.0	-1002.0
1988 - 89	180.6	316.7	160.0	230.4	714.3	1602.0	1.2	8.4	13.3	20.2	516.1	559.2	-639.3	-408.4	-1042.8

Source: *Reserve Bank of India Bulletin*, April 1992.

TABLE 11: EXPORTS, IMPORTS, TRADE BALANCE AND CURRENT ACCOUNT BALANCE OF SELECTED COUNTRIES

Item	World				Industrialised Countries				USA			
	1975	1980	1985	1988	1975	1980	1985	1988	1975	1980	1985	1988
Exports (Bn US$)	829.5	1897.6	1801.1	2694.1	568.9	1244.3	1262.2	1969.4	108.85	225.5	218.8	321.6
Imports (Bn US$)	836.6	1945.1	1878.3	2787.3	589.4	1370.1	1348.4	2041.6	105.8	256.9	346.3	459.5
Trade Balance (Mn US$)	22193	31894	12605	35946	9933	-67810	-37584	4029	8910	-25500	-122150	-126290
Current A/c (Mn US$)	2451	-31993	-70175	-66869	9657	-59392	-48888	-61593	18130	1840	-115360	-134720
Exports of Goods (Percentage)									8	9.8	6.7	8.3
Imports of Goods (Percentage)									7.6	10.8	10	11

Item	UK				Germany				Japan			
	1975	1980	1985	1988	1975	1980	1985	1988	1975	1980	1985	1988
Exports (Bn US$)	43.4	110.1	101.2	145.1	90.1	192.8	183.9	323.3	55.8	130.4	177.1	264.8
Imports (Bn US$)	53.3	115.5	108.9	189.3	74.9	187.9	158.4	250.5	57.8	141.2	130.4	187.3
Trade Balance (Mn US$)	-7272	3343	-2653	-36514	16911	8887	28507	78640	4935	2130	55990	94990
Current A/c (Mn US$)	-3417	7520	4765	-26089	4422	-13886	16977	48580	-690	-10750	49170	79630
Exports of Goods (Percentage)	25	27	29	23.6	25	26.8	33	29.7	12.9	13.9	14.7	10.3
Imports of Goods (Percentage)	26.9	24.7	28	27.4	22.1	26.9	29	24.3	12.8	14.7	11.3	8

Item	Republic of Korea				Malaysia				India			
	1975	1980	1985	1988	1975	1980	1985	1988	1975	1980	1985	1988
Exports (Bn US$)	5.08	17.5	30.2	60.69	3.8	12.9	15.4	21.1	4.3	8.5	9.2	13.3
Imports (Bn US$)	7.27	22.29	31.13	51.8	3.56	10.82	12.3	16.55	6.38	14.86	16.07	19.16
Trade Balance (Mn US$)	-1671	-4384	-19	11445	256	2406	3577	5643	-286	-5644	-5616	
Current A/c (Mn US$)	-1889	-5321	-887	14161	-496	-285	-613	1884	-148	-1785	-4178	
Exports of Goods (Percentage)	27.6	35.1	36.8		45.4	57.6	55	68	6.2	6.5	6.1	
Imports of Goods (Percentage)	35.7	41.1	35.2		47.2	55.1	50	57.4	6.8	9.8	9	

Source: IMF, *International Financial Statistics, Year Book, 1989*.

case, it is due to DPCO. India which is in a very competitive position compared to other LDCs, therefore should not fear the strengthening of the patents regime. On the other hand, regarding decontrol of drug prices, a judicious approach is needed.

Indigenous Production of Drugs Covered by Product Patents Abroad

The issue of value or percentage of indigenous production of drugs covered by product patents abroad is one where there are conflicting versions. The controversy was triggered by the statement of the United States Trade Representative (USTR) Carla Hills during her visit to India in 1992, that only 5 per cent of the products marketed in India are covered by patents This statement was made to "persuade the Indian government that recognition of product patents as in China would not have the feared adverse effects."[16] The Indian Drug Manufacturers Association (IDMA)[17] immediately came with a study indicating that in the therapeutic groups where patented drugs are there, nearly 46.32 per cent of these groups are covered by patents in the US and patented drugs in the total pharma market is 21.47 per cent. The percentage of drugs under the different therapeutic groups are given in Table 13. The minister of state in the ministry of chemicals and fertilisers[18] stated that about 10-15 per cent of total production in the country is covered by patents abroad. The break-up of the different therapeutic groups given by the ministry are also given in Table 13. The IDMA study is based on Operational Research Group (ORG) report and the US Health Department Publications, 'Drugs under Patent' and 'Approved Drug Products' and the government statement is based on 'Available Information'. The IDMA[19] which has made a study for Ranitidine 150 mg tablets makes the following observation, "Had it not been for the Indian Patent Act 1970, it would not have been possible for anybody other than Glaxo or their licencees to manufacture and sell this product in the country. Under such monopolistic situation, Glaxo, in light of their international pricing policy would have priced the product hypothetically at least 10 times more expensive of its present sale price, i e, Rs 16.10 per tab. It would not be wrong to assume that at this exorbitant rate, offtake of this product would come down substantially. Therefore under the scenario existing after amendment of the Indian Patents Act to fall in conformity with the Dunkel's proposal, the Indian population

Table 13: Price Indices of All Commodities and Drugs and Medicines in India

Year	All Commodities	Drugs and Medicines	Percentage Increase over 61-62: All Commodities	Percentage Increase over 61-62: Drugs and Medicines	Times Higher of All Compared to Drugs
61-62	100	100	0 0	0.0	
62-63	103.8	102 1	3.8	2.1	1.8
63-64	110.2	103.1	10.2	3.1	3.3
64-65	122.3	103 6	22 3	3.6	6.2
65-66	131.6	105.2	31 6	5.2	6.1
66-67	149.9	112.4	49 9	12.4	4.0
67-68	167 3	121.6	67.3	21.6	3.1
68-69	165.4	123.6	65 4	23.6	2.8
69-70	171.6	129.8	71.6	29.8	2.4
70-71	181.1	141 9	81.1	41.9	1.9
71 72	188 4	141 9	88.4	41.9	2.1
72-73	207.3	143.8	107.3	43.8	2.5
73-74	249.2	144.9	149.2	44.9	3.3
74-75	312 0	154.0	212.0	54.0	3.9
75-76	308.6	168.9	208.6	68.9	3.0
76-77	315.1	190.6	215.1	90.6	2.4
77-78	331.5	194.0	231.5	94 0	2.5
78-79	331.5	193 7	231.5	93 7	2.5
79-80	388.2	192.4	288.2	92.4	3.1
80-81	459.0	195.7	359.0	95.7	3.8
81-82	501.9	219 8	401.9	11[illegible].8	3.4
82-83	515.1	243.9	415.1	143 9	2.9
83-84	563.8	269.3	463 8	169.3	2.7
84-85	603.6	272.8	503.6	172.8	2.9
85-86	638.3	281.0	538.3	181.0	3.0
86-87	672.2	289.9	572.2	189.9	3.0
87-88	723.3	316.5	623.3	216 5	2.9
88-89	776.6	386.6	676.6	286.6	2.4

Source: GOI, *Indian Drug Statistics* (various issues).

Table 12: Growth of World Trade in Manufactures (Annual Average Rate of Growth)

Exports from	Years	World: Total Trade	World: Trade in Manufactures	DMEC: Total Trade	DMEC: Trade in Manufactures	Developing Countries: Total: Total Trade	Developing Countries: Total: Trade in Manufactures	Developing Countries: Manufactures Exporters: Total Trade	Developing Countries: Manufactures Exporters: Trade in Manufactures	Socialist Countries: Total Trade	Socialist Countries: Trade in Manufactures
World	1965-73	15.1	16.7	15.8	17.9	13.9	13.9	20.5	22.9	13.2	15.4
	1973-80	19 5	17.9	18 7	16.6	23.7	23.0	22.9	20.6	16 7	15.5
	1980-87	3.2	7.1	3 7	8.8	1.1	2.6	4.6	8.6	4.5	5.9
Developed market-economy countries	1965-73	15.6	16.6	16 0	17.4	13.7	13.7	22.2	24.0	8.4	20.5
	1973-80	17.6	17 7	16 4	16.3	22.0	22.4	19.5	20.2	18.2	19.2
	1980-87	4.6	6.3	5 9	7.9	0.8	1 3	6 0	6.6	- 0.2	2.4
Developing countries	1965-73	14.9	23.7	15 1	28.4	15.0	19 6	18.9	25.1	11.2	7.6
	1973-80	26.2	23.1	25.7	20.7	29.3	27.7	30.5	24.8	20.3	19.3
	1980-87	- 1.5	14.3	- 2.4	16.6	- 0.6	7.8	0.5	13.9	8.1	28.6
Manufactures exporters	1965-73	19.3	27.6	21.2	34.5	17.7	20.9	21.5	33.4	10.5	10.7
	1973-80	21.5	24.2	18.0	21.3	29.1	31.4	24.9	26.9	23.4	23.3
	1980-87	9.1	12.1	11 0	14.8	5.1	6.4	8.3	13.9	5.6	11.6
Socialist countries	1965-73	12.9	14.2	16 0	18.6	13.2	10.1	13 7	12.7	12.0	14.2
	1973-80	17.3	15.3	20.6	17.7	20.1	21 6	20 8	20.2	15.0	13.0
	1980-87	5.4	5.5	1.3	5.8	8 8	6.2	11.1	17.6	6.4	5.3

Sources: UNCTAD, *Statistical Pocket Book, 1989.*

would have for its consumption a mere 1/10th of the total medicine available to them today, but at 10 times the existing prices."

The above analysis shows that the lower limits of the estimates of manufacture of products patented abroad is 5 per cent and the upper limit is 21.47 per cent. Moreover, the major player in price changes is the DPCO. As long as the composition of the list of drugs not to be patented remains unchanged, the feared danger of strengthening the patents regime in India is apparent than real. However a careful and judicious policy on price controls is needed and not simply a total decontrol of prices of pharmaceuticals as advocated by many people especially the IDMA and OPPI. In fact, it has been stated[20] that drug prices have increased as a result of India's recent liberalisation efforts, and of course this has nothing to do with patents. As expressed by Vaish (secretary, department of chemicals and petro-chemicals, ministry of chemicals and fertilisers, government of India),[21] over the seeming paradox of keeping prices under check to ensure that it reached every person, and freeing the sector from checks as demanded by the industry to ensure maximum production, "we have to see that supply line and production is maintained, yet there is need to keep control". One should also note that this is a sector involving social security and while the EEC has its own social security measures and the US is also implementing new measures on these lines, a developing country like India cannot completely underplay the importance of health care to its population under the pretext of profitability. Thus there is nothing wrong in continuing with the price control on drugs. Otherwise, firstly, the government as the largest buyer of drugs and secondly, the common con-

TABLE 15B: CHANGE IN INTERNATIONAL PRICES *VIS-A-VIS* INDIAN PRICES OF IMPORTANT DRUGS

Name of the Drug	Unit	Times Costlier in Pakistan		Times Costlier in Sri Lanka		Times Costlier in Indonesia	
		1986	1992	1986	1992	1986	1992
1 Chloramphenicol	250 mg/10 caps	0.21	0.68	1.75	2.20	1.68	3.49
2 Metronidazole	200 mg/10 tabs	1.08	3.28	1.44	4.29	14.76	26.16
3 Ferrous Sulphate	150 mg/15 caps	0.10	1.41	0.55	4.21	—	4.61
4 Ibuprofen	200 mg/10 tabs	−0.23	0.82	0.68	1.39	1.08	1.56
5 Propranolol HCL	10 mg/10 tabs	1.37	1.72	1.29	0.54	—	—
6 Salbutamol	2 mg/10 tabs	2.06	—	1.67	2.53	—	—
7 Nifedipine	10 mg/10 caps	4.28	5.43	−0.08	0.84	0.70	9.60
8 Cimetidine	200 mg/10 tabs	3.57	4.25	1.20	9.80	1.57	11.19

Source: OPPI.

TABLE 14: RELATIVE COMPARATIVE ADVANTAGE OF PHARMACEUTICAL PRODUCTS OF SELECTED COUNTRIES

Country	RCA Bela Ballasa Approach		RCD Bela Ballasa Approach		RCA Market Share Approach			RCD Market Share Approach		
	RCA 88 to 80	RCA 88 to 70	RCD 88 to 80	RCD 88 to 70	1988	1980	1970	1988	1980	1970
USA	1.16	1.37	1.31	0.22	1.47	1.27	1.08	0.77	0.59	0.20
UK	0.99	1.19	1.18	0 43	2.18	2.21	1.83	0.75	0.63	0.40
Japan	1 02	1.01	1.13	1.18	0.32	0.32	0.32	1.22	1.08	1.10
Germany	0.86	0.94	1.04	0.65	1.42	1.65	1.51	1.01	0.97	0.60
Republic of Korea	0.98	NA	0 82	0.86	0.16	0.16	NA	0.38	0.46	0.80
Indonesia	1.99	0.42	0.81	2 04	0.14	0.07	0.32	0.85	1.04	1.90
Thailand	0.38	1.24	0.41	2.90	0.13	0.35	0.11	0.63	1.53	2.70
Malaysia	1.24	0.70	0 75	1.40	0.15	0.12	0.22	0.78	1.05	1.30
India	1.16	3.30	0.82	1.61	2.13	1.83	0.65	0.76	0.92	1.50

Note : RCA = Relative Comparative Advantage; RCD = Relative Comparative Disadvantage.

$$\text{RCA} = \frac{Xi/Xt}{Wie/Wte} \qquad \text{RCA (Bela Ballasa)} = \frac{\text{RCA I}}{\text{RCA II}}$$

(Market share Approach)

$$\text{RCD} = \frac{Mi/Mt}{Wii/Wti} \qquad \text{RCD (Bela Ballasa)} \frac{\text{RCD I}}{\text{RCD II}}$$

Where, Xi = Exports of pharmaceuticals of the country, Xt = total exports of the country, Mi = imports of pharmaceuticals of the country, Mt = total imports of the country, Wie = Exports of pharmaceuticals of world, Wte = total exports of the world, Wii = imports of pharmaceuticals of the world, Wti = total imports of the world, I = Current year, II = Base year.

Source: Computed from United Nations, *International Trade Statistics Yearbook* (various issues).

TABLE 15A: COMPARATIVE PRICES OF IMPORTANT DRUGS IN INDIA AND OTHER ASIAN COUNTRIES

(in Rs)

Name of the Drug	Unit	India			Pakistan			Sri Lanka			Indonesia		
		1986	1992	Percentage Change	1986	1992	Percentage Change	1986	1992	Percentage Change	1986	1992	Percentage Change
1 Chloramphenicol	250mg/10 tabs	5.72	9 95	73.9	6.93	16.78	145.0	15.74	31.86	102.4	15.36	44.76	191.4
2 Metronidazole	200mg/10 tabs	2.76	3.65	32.2	5.74	15.64	172.4	6.74	19.30	186.3	43.52	99.15	127.8
3 Ibuprofen	200mg/10 tabs	6 13	3.71	−39.4	4.68	6.78	44.8	10.34	8.87	−14.2	12.80	9.52	−25.6
4 Ferrous Sulphate	150mg/15 caps	8.46	8.64	2.12	9 36	20.84	122.6	13.15	45.04	242.5	—	48.31	—
5 Propranolol HCL	10mg/10 tabs	1.96	3.70	88.7	4.66	10.06	115.8	4.49	5.71	27.1	—	—	—
6 Salbutamol	2mg/10 caps	1 11	1.93	73.8	3.40	—	—	2.97	6.82	129.6	10.24	—	—
7 Nifedipine	10mg/10 caps	6.00	5.78	−3.6	31.65	37.18	17.5	5.49	10.64	93.8	20.48	61.28	199.2
8 Cimetidine	200mg/10 tabs	7.96	8.75	9.9	36.41	45.92	26.1	17.54	94.52	438.8	49.92	106.72	113.7

sumer (not the common man as we will see later) will be hit by the rise in prices. So while we advocate a judicious policy in drug price controls, we see no reason to fear the strengthening of the patents regime in the case of drugs and pharmaceuticals by introducing product patents. This is not to say that the 1970 Patent Act was not useful. In fact it was useful and along with DPCO has strengthened our pharmaceutical sector. But in the present situation, when we have become competitive in pharmaceutical sector there is no need to continue with this Act in the same form. However, the pertinent question to be answered is, how exactly the patents regime can be strengthened by India in the case of pharmaceuticals? To this question, we will turn to Section IV.

Other Effects of Strengthening Patents Regime

The other possible effects of strengthening the patents regime can be explained as follows.

Effect on Different Sections of the Population: An increase in drug prices is believed to affect the common man. But as rightly pointed out by Mitra Sisir.[22] "We ought to be clear about the description of this 'common man'... But we have to make another division of the 'more common' amongst us, that is, the people who live below the poverty line". According to official estimates, this group consists of 30 per cent of our population[23] and these people hardly spend on drugs and medicines, while basic necessities like food, clothing and shelter are themselves not available to them. So the question of drug prices does not concern them. India is a drug starved country. The per capita consumption of drugs in India in 1989 was Rs 34 (Rural Rs 8). This is very low compared to other developing countries like Republic of Korea (Rs 346), Egypt (Rs 190), Turkey (Rs 159), Taiwan (Rs 159), Philippines (Rs 95), Nigeria (Rs 70), Indonesia (Rs 42) and Pakistan (Rs 43), even in 1984.[24] Further as pointed out by Mitra Sisir,[25] the expenditure on drugs in India "is generally less than 10 per cent of the total medical care cost", and medical care expenditure forms 2.6 per cent of total expenditure in India.[26] Among the other two classes, the rich and the middle class, the former can afford any rise in prices of drugs, while the latter may be subjected to hardship. However, there is the fact that even if the most liberal estimates are taken, drugs product patented abroad will not be more than 30 per cent of the drugs produced in India and again the changes in drug prices can come about mainly due to decontrol of prices, rather than patents. If the possibility of substitution of non-patented drugs for patented drugs is further explored then the effect of patents on prices can be further lessened; on the whole, strengthening the patents regime especially by accepting product patents in pharmaceuticals will not have any great adverse impact on common man in particular and the people in general.

Effect on Indian Pharmaceutical Industry: The strengthening of patents regime is considered to affect the Indian pharmaceutical industry. In the total sales of drugs and drug formulations in India the share of drug formulations is 76.5 per cent in 1989 90 (78.4 per cent in 1988-89). Therefore, it is mainly drug formulations that are important in the total sales. In fact, India is almost self-sufficient in drugs and pharmaceuticals and indigenous production to the total indigenous production plus imports is 89.4 per cent in 1989-90 (91 per cent in 1988-89). Moreover, India is a net exporter of drugs and pharmaceuticals at Rs 204.78 crore in 1989-90 (Rs 20.60 crore in 1988-89). Interestingly, the pharmaceutical sector is one in which the concentration is very less. The concentration ratio of drug formulations in 1989-90 (shown by the share of top four firms) is the lowest among all manufactures of non-primary commodities at 17.5 per cent[27] and interestingly in the primary commodities industries also only a few items are below this level.

While it is not possible to estimate the possible effect of product patents by companies (though the effect of introducing product patents would be quite less in general, as seen earlier), some indications of the process patents are available. In pharmaceuticals, we have not been able to estimate the percentage of drugs and drug formulations under process patents but total patents in drugs and pharmaceuticals[28] is 9.31 pef cent of total patents sealed in 1986-87. But it has been stated that major percentage of the process patents in this sector have been granted to foreigners.[29] In fact percentage of patents to foreigners in foods, drug and medicines is 74.8 per cent in 86-87 and above 70 per cent since 74-75.[30] Of the 75 per cent market share as on year-end 1989 about 35-40 per cent is by MNCs in drug formulations (in 1989-90).[31] Since most of the important MNCs have been included in this list, the remaining 25 per cent cover mainly the Indian companies and that too small companies. Thus about 60 per cent of the market share in drug formulations is with the Indian companies and the Indian companies are a major force to reckon with. As can be seen in Table 20, in our sample of companies covering about 53 per cent of total market share, MNCs with 33 per cent market share have been granted 407 patents between the years 1972-1989, while the Indian big companies with 16 per cent market share have only 59 patents (of which 41 patents have been granted to the two public sector companies). Though our sample is not a representative sample giving representation to different groups of companies based on the share of these groups to total market share, and though we know that it is the value of sales of patented items which is the real indicator, rather than the number of patents, the results at least indicate the following:

(1) The patents granted to big indian companies especially private companies are surprisingly low. This seems to be a reflection of their poor R and D effort.

(2) While the MNCs seem to dominate in terms of process patents, four small companies have 24 patents, which seems to be relatively higher compared to the big Indian private companies. Of course, we do not know the type of relationship of small companies given here with the big companies or MNCs. While it is known

Table 16: Prices and Price Indices of Selected Indian Drugs

(in Rs)

Drug/Dosage	Brand Name	Prices		
		1990	1991	1993
1 Cholamphemical (250 mg/10)	Paraxin	8.32 (100.0)	8.74 (105.0)	20.00 (240.3)
2 Amoxycillin (500 mg/4) caps	Moxilium	17.90 (100.0)	17.90 (100.0)	N.A. (N.A.)
3 Cefadroxil (500 mg/6) caps	Kefloxin	58.20 (100.0)	58.20 (100.0)	65.85 (113.1)
4 Cephalaxin (250 mg /4) caps	Alcephin	13.27 (100.0)	14.38 (108.4)	15.52 (117.0)
5 Doxycycline (100 mg /10) caps	Biodoxi	19.50 (100.0)	19.50 (100.0)	25.50 (130.8)
6 Norfloxacin (400 mg/4) tabs	Norilet	15.20 (100 0)	15.20 (100.0)	19.00 (125.0)
7 Ibuprofen (400 mg/10) tabs	Emflam-400 (Merck)	4.84 (100.0)	6.43 (132.9)	6.43 (132.9)
8 Flurbiprofen (50 mg/10) tabs	Arflur	12.69 (100.0)	12.69 (100.0)	15.00 (118.2)

(Contd)

small-scale companies,[32] the benefits due to patents to these companies may also be cornered by MNCs due to such arrangements. Table 20 also shows that a substantial number of patents granted to Indians are actually in the name of the parents of the MNCs operating in India, which in effect reduces the number of patents granted to Indians. Thus in process patents, the importance of MNCs can be seen. But a note of caution is needed here. Table 21 gives the percentage of pharmaceutical sales to total sales of some MNCs and Indian companies for which data are available. The percentage in the case of MNCs is very small, while for Indian companies it is very high, at even 100 per cent in one case. In the light of this fact, we can infer that a major portion of the patents granted to the MNCs are for non-pharmaceutical items and in the case of the Indian companies, it is mainly for pharmaceuticals. So ultimately even process patents granted to MNCs in pharmaceuticals may not be really high.

In Table 22 the profitability ratios of selected MNCs and Indian companies are given. The different profitability ratios are broadly similar in the case of total MNCs and Indian companies, and in the case of most of the companies profits to net worth indicators are quite high, while profits to sale indicators are quite low. Here again, for reasons explained earlier profitability of Indian pharmaceutical companies reflect profitability in pharmaceuticals, while profitability of foreign companies reflect profitability in non-pharmaceuticals. Even imports of raw materials to total sales and dividend remittances to sales are not high and the possibility of disguising profits in these forms by MNCs seems to be less. While there is truth in the argument that profitability to sales in pharmaceutical sector is quite low, we cannot argue (as is being currently done by many) that the profitability in this sector should be allowed to be as high as in other sectors by decontrol of prices. We should note that this is a sector affecting social security and many developed countries are giving medical-care free of cost or at concessional rates and India should not allow prices to rise beyond permissible limits. Moreover, profitability to net-worth in these companies is quite high and is comparable to profitability to net worth in other sectors.[33] Earlier we had noted that there is no need to fear product patents. Since we do not have any estimate of the value of pharmaceuticals under process patents as a percentage of total value of pharmaceuticals in India, we cannot be very sure of the extent of the impact of strengthening process patents in India on the pharmaceutical sector.

Drug/Dosage	Brand Name	Prices		
		1990	1991	1993
9 Piroxicam (10/10)	Toldin-10	5.35 (100.0)	5.35 (100.0)	8.90 (166.4)
10 Diclofenac (50/10) tabs	Diclomax	9.90 (100.0)	9.90 (100.0)	9.90 (100.0)
11 Naproxen (250/10) tabs	Naxid	16.35 (100.0)	16.35 (100.0)	N.A. (N.A.)
Anti-Ulcerants				
12 Cimetidine (400/10) tabs	Tagamed	17.34 (100.0)	17.34 (100.0)	14.14 (81.5)
13 Rantidine (300/10) tabs	Lydin	36.50 (100.0)	36.23 (99.3)	36.23 (99.3)
14 Sucralfate (1g/10) tabs	Ulcekon	13.68 (100.0)	13.68 (100.0)	13.68 (100.0)
15 Famotidine (40/10) tabs	Facid	39.80 (100.0)	34.00 (85.4)	34.00 (85.4)
Cardiovasculars:				
16 Nifedipine (10mg/10) caps	Calcigard	5.40 (100.0)	5.40 (100.0)	6.75 (125.0)
17 Atenolol (50/10) tabs	Altol	7.00 (100.0)	7.00 (100.0)	10.70 (152.9)
18 Acetntolol (200/10) tabs	Sectral	18.10 (100.0)	18.10 (100.0)	26.49 (146.4)
19 Pentoxifylline (400/30) tabs	Flexital	138.00 (100.0)	138.00 (100.0)	173.40 (125.7)
20 Cylandelate (400/10) caps	Cyclasyn	14.40 (100.0)	14.40 (100.0)	20.00 (138.9)
21 Diltiazem (30/10) tabs	Angizem	12.00 (100.0)	12.00 (100.0)	17.68 (147.3)
22 Enalaprilmaleate (5/10) tabs	Envas	9.50 (100.0)	9.50 (100.0)	16.20 (170.25)
Antiviral/Fungal				
23 Acyclovir (5%cream) 5g	Cyclovir	39.40 (100.0)	39.40 (100.0)	49.90 (126.6)
24 Ketoconazole (200/10) tabs	Funazole	57.90 (100.0)	57.90 (100.0)	57.90 (100.0)
25 Clobetasol prop (0.05% cream)10g	Dermotyl Skin Cream	16.00 (100.0)	16.00 (100.0)	16.00 (100.0)
26 Minoxidil (60 ml)	Mintop	125.00 (100.0)	125.00 (100.0)	138.15 (110.5)
Anti-Histamine				
27 Astemizole (10/10) tabs	Alestol	9.75 (100.0)	9.75 (100.0)	10.70 (109.7)
Antdi-Auxiolytics				
28 Alprazolam (0.5mg/10) tabs	Alzolam 50	5.50 (100.0)	8.00 (145.5)	11.67 (212.2)
29 Diazepam (2mg/10) tabs	Valium	2.18 (100.0)	2.27 (104.1)	3.86 (177.1)
30 Lorazepam (1mg/10) tabs	Trapex	2.00 (100.0)	2.00 (100.0)	2.00 (100.0)
31 Trazodone Lcl (50mg/10) tabs	Trazonil	14.50 (100.0)	14.50 (100.0)	14.50 (100.0)
Anti-Cancer				
32 Vincristine (1mg/vial)	Vincristine	48.00 (100.0)	48.00 (100.0)	48.00 (100.0)
33 Vinblastine (10mg/real)	Vinblastine	92.00 (100.0)	N.A. (N.A.)	N.A. (N.A.)
Miscellaneous				
34 Allopurinol (100mg/10) tabs	Zyloric	8.60 (100.0)	8.60 (100.0)	12.04 (140.4)
35 Haloperidol (0.25mg/10) tabs	Depidol	1.90 (100.0)	2.25 (118.4)	2.90 (152.6)
36 Domperidone (10mg/10) tabs	Domstal	9.50 (100.0)	9.50 (100.0)	15.90 (167.4)
37 Gemfibrozil (300mg/10) caps	Gempar	34.50 (100.0)	38.50 (111.6)	N.A. (N.A.)
38 Nalidixic Acid (500mg/4) tabs	Gramoneg	10.61 (100.0)	11.60 (109.3)	18.00 (169.7)
39 Stanozolol (2mg/10)	Stromba	16.00 (100.0)	16.00 (100.0)	29.65 (185.3)

Note : The figures in parenthesis are index numbers.
Source: *MIMS India* (various issues).

However, strengthening process patents will mainly involve the following aspects, which are likely to affect the pharmaceutical sector. (1) Duration of the patents granted; (2) Considering imports as tantamount to working of patents in the patents granting country; and (3) Reversal of the burden of proof.

While the first issue can be allowed to be bargained upon, if needed with a quid pro quo from developed countries in the issue of Multi Fibre Agreement (MFA) (which we will discuss in Section IV), the second aspect can never be accepted as it would adversely affect the Indian drug industry, making it lose the gains already done. Even when the production is undertaken by MNCs, it should be undertaken in India. Otherwise, not only will the Indian drug industry suffer directly, but also the higher linkages of this sector will be reaped outside India as we will see in the next sub-section. In our zeal to cleanse the old system, we should not throw away the baby with the bath water. However, benefits to the Indian companies should be given in the form of tax benefits,[34] special benefits for exports which has been used well by Indian companies *vis-a-vis* foreign companies,[35] benefits for R and D investment, etc. As noted earlier, R and D investments in India in pharmaceuticals is very low by international standards. The exact break-up is not available to us. On the whole, while decontrol of prices has to be done judiciously, the Indian pharmaceutical sector including the public sector companies should be strengthened by other measures suggested above. Further the Indian pharmaceutical industry should shift more to the production of drugs which are off patent. In fact in the US the sales of generic drugs has increased from 9.2 per cent in 1980 to 19.1 in 1991[36] and definitely India should move more towards the production of generic drugs.

Effect on Other Sectors via Linkages: The drugs and pharmaceuticals sector will also affect the economy through linkages of this sector with other sectors. The study of Prasad A C P[37] shows that medical health has a high backward linkage effect. This sector falls in the IV classification of Chenery-Watanabe, i e, high backward and low forward linkages. The high backward linkages of this sector imply that other sectors supplying inputs to the medical health sector will be affected greatly when the medical health sector is affected. But we should remember that pharmaceuticals form a small percentage of total medical care and also that the effect of backward linkages hold good here as far as the growth of other sectors are concerned. However, in the case of price effects, the changes in prices of other sectors will affect the drugs and pharmaceuticals rather than vice versa. The price effect of strengthening the patent system of pharmaceuticals in India therefore does not affect much the other sectors, while the strengthening of patents or any other changes in other sectors can greatly affect this sector via the linkages (assuming however that the linkages of the medical health sector is representative of the linkages of the drugs and pharmaceutical sector, which forms a part of the medical health sector). But if growth of the pharmaceutical sector is adversely affected due to strengthening the patents regime, then it will have an adverse effect on other sectors due to the high backward linkages. This however will not happen just by accepting product patents in pharmaceuticals. However, if the clause that "importing is tantamount to working the patents in the patent granting country" is accepted while strengthening the patents regime, then the pharmaceutical sector will be affected adversely as the high backward linkages of this sector will be reaped outside the country. Devoid of this clause, strengthening the patents regime will not have much impact on pharmaceuticals via linkages.

Effect on Technology: At present, we do not intend to deal in detail with this aspect, but only state that, while strengthening of patents regime can harm the dissemination of technology, in the present situation, when all countries including communist China have strengthened their patents regime (especially they have accepted product patents) and our dependency on developed countries, especially the US for technology is increasing, refusal on the part of India to strengthen the patents regime will definitely affect the flow of latest technology and the quality of drugs. This adverse effect can be mitigated only if the Indian companies, including the government companies devote a larger amount of resources for R and D and identify good substitutes which are off patent. While as such the investment on R and D in drug industry is a poor 2 per cent of its turnover in India compared to 12 per cent in the international drug industry,[38] to further invest on R and D and mitigate the above mentioned effects the Indian companies will further emphasise their long-standing demand for decontrol of drug prices, which if done without much care will adversely affect the interests of consumers.

Effect on Balance of Payments: The balance of trade of India in drugs and pharmaceuticals is positive as can be seen in Table 23. The balance of payments of figures including non-trade items like

TABLE 17. PRICES OF IMPORTANT INDIAN BULK DRUGS OVER THE YEARS 1990-93

(in Rupees)

Name of the Drug	A/c Unit	Indigenous Production (88-89)	Imports	Total	Brand Name/ Dosage	Price 1990	1991	1993
Antibiotics								
1 Gentamicin (D)(NA)	Kg	883.00 (0.51)	2966.00	3849.00	Biogaracin (40mg/2ml)	7.90	7.90	8.15
2 Penicillin (D)(NP)	MMTs	330.47 (4.63)	657.42	981.89	Pentids/ (Pentids/200/6 tabs)	3.37	3.37	3.40
3 Ampicillin (D)(NP)	MT	332.56 (11.8)	16.09	348.65	Basipan (250 mg/4 tabs)	6.40	6.40	6.92
4 Streptomycin (D)(NP)	MT	243.79 (2.11)	10.04	253.83	Streptangna (10 tabs)	5.32	5.32	7.10
Sulpha Drugs								
1 Sulphamethoxazole (D)(P)	MT	1445.56 (13.56)	9.40	1454.96	Otrim (10 tabs)	7.10	7.10	7.10
2 Sulphadiuridine (D)(P)	MT	465.72 (1.37)	–	465.72	Inseptin (10 tabs)	6.79	6.79	7.62
3 Sulphagnamidine (D)(NA)	MT	219.66 (0.39)	–	219.66	–	–	–	–

(Contd)

TABLE 17 *(Contd)*

(in Rupees)

Name of the Drug	A c Unit	Indigenous Production (88 89)	Imports	Total	Brand Name/ Dosage	Price 1990	Price 1991	Price 1993
Vitamins								
1 Vitamin C (D)(NP)	MT	868 77 (2 02)	6 90	875 74		—	—	—
2 Vitamin D_3 (NP)	kg	249 00 (0 11)		249 00	-	—	-	—
3 Nicotinamide (NP)	MT	115 95 (0 31)	1 92	117 87	Kinetone (200 ml)	13 68	19 65 (300 ml)	19 86 (300 ml)
4 Vitamin B_1 (D)(NP)	MT	101 63 (0 17)	216 75	318 38	—	—	-	-
Analgesics Antipyretics etc								
1 Analgin (NP)	MT	271 80 (0 88)		271 80	Novalgin (500 mg 10 tabs)	4 46	4 46	4 80
2 Aspirin (D)(P)	MT	1532 70 (0 68)		1532 70	Asabut (10 tabs)	2 74	2 74	5 94
3 Pethidine (NP)	kg	515 00 (009)	48 00	563 00	-	—	-	-
4 Ibuprofen (D)(NP)	MT	124 55 (2 40)	14 59	139 14	Affam (400 mg/10 tabs)	12 00	6 43	6 43
5 Methyl Salicylate (D)(NP)	MT	410 51 (1 02)	-	410 51		-	—	-
Cortico Steroids								
1 Dexamethasone (D)(NA)	Kg	343 00 (0 58)	521 20	864 20	Idizone (0 5 mg/10 tabs)	1 51	1 51	1 51
2 Betamethasone (D)(P)	kg	932 00 (2 28)	348 00	1280 00	Betacortril (0 5 mg/10 tabs)	2 00	2 35	2 35
3 Prednisolone (D)(NP)	kg	1923 00 (0 59)		1923 00	Deltacortril (5 mg/10 tabs)	3 18	3 34	-
Anti TB Drugs								
1 INH (NP)	MT	140 29 (0 39)	-	140 29	-	—	-	-
2 Ethanbutol (D)(NA)	— MT	407 99 (5 42)	—	407 99	Combutol (400 mg/6 tabs)	6 76	6 76	6 76
Anti Malarials								
1 Chloroquin (D)(NA)	MT	130 08 (1 01)	26 98	157 06	Emgmin (155 mg/10 tabs)	3 29	4 45	7 97
Anti Dysentery Drugs								
1 Metronidazole (D)(P)	MT	436 28 (3 41)	12 61	448 89	Aristogyl (200 mg/10 tabs)	3 08	3 08	3 75
2 Iodochlorohydro xyquinlotine (D)(NP)	MT	204 87 (0 50)		204 87	Stadmed Entrozyme Plain (10 tabs)	3 78	4 11	5 50
Anti Diabetics								
1 Tolbutamide (NP)	MT	132 88 (0 24)	3 00	135 88	Rastinon (500 mg/10 tabs)	2 50	3 00	3 77
2 Insulin (D)(P)	MU	2486 00 (0 81)	153 00	2999 00	Insulins (40 /10ml)	16 85	16 85	29 80
Anti Asthmatics								
1 Salbutamol (D)(NP)	kg	2736 00 (1 49)	371 06	3107 06	Salbetol (2 mg/10 tabs)	1 70	1 92	1 92
2 Terbutaline (D)(P)	Kg	335 00 (0 17)		335 00	Bricanyl (2 5 mg/12 tabs)	3 33	2 88	2 94
3 Theophyline (D)(P)	MT	135 91 (0 69)	132 0.	267 93	Hiphylin (2 ml)	0 94	0 94	0 94
Immunological Agents								
1 Tetanus Anti Toxin (NP)	MU	7700 00 (0 09)		7700 00	Tetanus Anti Tonin (750 ru)	1 76	1 76	1 76
2 Diphtheria Anti Toxin (NA)	MU	219 00 (004)	33 00	252 00	Diphtheria Antitonin (10000 iv 5ml amp)	34 88	34 88	34 88
Gastro Intestinals								
1 Aluminium Hydroxides (D)(NP)	MT	1378 80 (1 829)	—	1378 80	Mucaine (175 ml)	12 29	12 29	20 57 (200 ml)
Other Drugs								
1 Hydralazine (D)(NP)	kg	224 00 (004)		224 00	Corbetazine (10 tabs)	4 29	4 29	4 29
2 Heparin (NP)	MU	7439 00 (0 09)		7439 00	Beparine (1000 iv/5 ml)	12 27	12 27	12 77

Notes (1)P Patented NP = Not Patented, NA Not Available, and D – Drugs under Price Control
(2) Figures in parentheses under indigenous production show percentage share in total value of indigenous production

Source Calculated by us by using (i) *MIMS India* (various issues), (ii) IDMA Annual Report 1992, (iii) *Drugs Under Patent* 1989 edition, Published by FOI services USA

payments/receipts of royalties, technical know-how fees, etc, of the pharmaceutical sector as such are not available. The company-wise balance of trade and balance of payments figures are not dependable as firstly, we have data only for few pharmaceutical companies and secondly, because some pharmaceutical companies especially the MNCs are more involved in production of non-pharmaceutical items. The strengthening of the patents regime on balance of payments will depend on the type of strengthening of the regime and the way the Indian companies respond to the challenges. If it is merely accepting product patents, the effect will be less but if the clause of considering imports as tantamount to working the patents in the patent granting country is accepted, then the effect on balance of payments would be very high. While accepting product patents and furthering the flow of technology and qualitative drugs can help our exports, accepting 'imports as tantamount to working patents in India' will not have any positive effect on balance of payments.

The above discussion highlights the fact that while India has to follow a judicious, price decontrol policy, it need not fear strengthening the patents regime in pharmaceuticals by accepting product patents in pharmaceuticals. However, there are

TABLE 18A INTERNATIONAL PRICES (US $) VS INDIAN PRICES FOR LATEST AND IMPORTANT DRUGS

(in Rupees)

	Pack	India (Rs)	Pakistan (Rs)	Times Costlier in Pakistan	USA (Rs)	Times Costlier in USA	UK (Rs)	Times Costlier in UK
Anti bacterials								
Co trimaxazole tabs	10s	4 84	10 50	1 17	71 18	13 71	38 84	7 02
Amoxycillin 500 caps	6s	16 14	5 00	0 30	39 03	1 42	53 70	2 43
Cafadroxil 500 mg	6s	58 20			177 69	2 05		
Cephalexin 250 mg	4s	11 98			55 63	3 64	16 50	0 38
Ciprofloxacin 250 mg	4s	40 00			105 89	1 65	81 00	1 03
Norfloxacin	4s	15 20	30 00	0 98	99 14	5 52		
Amoxycillin + Cloxacillin 125 mg	6s	11 71			44 78	2 82	52 11	3 45
Doxycycline 100 mg	10s	18 70	20 25	0 08	21 01	0 12	125 82	4 73
Anti inflammatory								
Ibuprofen 400 tabs	10s	3 43	8 80	1 57	20 20	4 89	16 49	3 81
Flurbiprofen 100 tabs	10s	12 69	46 67	2 68			23 85	0 88
Diclofenac 50 tabs	10s	9 62	45 00	4 91	105 60	12 86	47 49	5 23
Piroxicam 10 tabs	10s	2 88	37 50	12 02	149 20	50 81	40 55	13 00
Naproxen 250 mg	10s	16 35			92 90	4 68	33 70	1 06
Anti ulcerants								
Cimetidine 400 tabs	10s	17 34	65 00	2 75	153 04	7 83	79 74	3 60
Ranitidine 300 tabs	10s	26 16	210 00	7 03	348 70	12 33	234 07	7 95
Sucralfate 500 tabs	10s	7 78	2 00	1 83			32 00	3 11
Famotidine 40 tabs	10s	25 08			348 75	12 91	243 97	8 73
Mebalazine 400 mg	6s	21 00	37 99	0 81			38 58	0 84
Cardiovasculars								
Nifedipine 10 tabs	10s	3 88	38 50	8 92	60 38	14 56	31 20	7 04
Atenolol 50 tab	10s	5 60	63 25	10 29	89 38	14 96	50 19	7 96
Acebutalol 200 tabs	10s	18 10	20 00	0 10			39 12	1 16
Pentoxyphylline 400 tabs	10s	29 57	40 00	0 35	57 50	0 94	43 00	0 45
Cyclandelate 400 mg	10s	8 22	24 35	1 96	57 22	5 96	55 84	5 79
Diltiazem 30 mg	10s	12 00	26 73	1 23	37 73	2 14	22 27	0 86
Enalapril Maleate 5 mg	10s	9 50	24 09	1 53	86 62	8 17	75 77	6 98
Anti viral/fungal etc								
Acyclovir 3 per cent cream	5 gm	98 00 (5 per cent)	133 30	0 36	271 98	1 78	229 54	1 34
Ketaconazole 200 tabs	10s	41 28	179 00	3 34	272 94	5 61	121 69	1 95
Clobetasol 10 per cent cream	10 gm	10 16	16 00	0 57			21 85	1 15
Minoxidil 60 ml	60 ml	125 00			722 50	4 78	540 00	3 32
Anti histamine								
Aztemizole	10s	9 50			185 64	18 54	47 25	3 97
Anti Anxiolytics								
Alorozolam	10s	3 55			54 40	14 32	18 72	4 27
Diazepam 2 mg	10s	2 18		—	40 36	1 51	5 10	1 34
Loarazepam 1 mg	10s	2 00	2 19	0 09	54 64	26 32	4 54	1 27
Nitrazepam 5 mg	10s	2 74	18 37	5 70			5 83	1 13
Trazodone hcl 50 mg	10s	14 50			95 93	5 62	32 46	1 24
Anti-cancer								
Vincristine 1 mg	Vial	45 00	113 40	1 52		—	252 72	4 62
Vinblastine 10 mg	Vial	92 00	96 39	0 05			277 83	2 02
Miscellaneous								
Allopurinol 100 mg	10s	8 60			16 32	0 90	24 98	1 90
Haloperidol 0 5 mg	10s	1 90	—	—	21 01	10 06	2 89	0 52
Domperidone 10 mg	10s	9 50	19 57	1 06	-	—	22 05	1 32
Gemfibrozil 300 mg	100s	345 00			525 98	0 52	648 00	0 88
Nalidixic Acid 500 mg	4s	10 40	—	—	40 50	2 89	21 97	1 11
Stanozolol 2 mg	10s	14 48	—	—	52 82	2 65	42 91	1 96

Source B M Keayla (1989)

controversial issues like "considering imports as tantamount to working the patents in the patent granting country" and "reversal of the burden of proof". One possible danger is that the drugs not to be patented in the WHO list may slowly be forced to be patented. However as of present, this danger does not exist and the already competitive Indian drug industry can cope up in the case of any eventuality. Thus the basic issue here is not whether India should strengthen its patents regime in the pharmaceutical sector, but how it should strengthen it. To this issue, we will turn our attention in the next section.

TABLE 18B: DRUG PRICES: AN INTER-COUNTRY COMPARISON, 1986
(Price to the consumer in Rs)

Name of the Drug	India	UK
Chloramphenicol (antibiotic)	6.87	21.30
Metronidazole (anti-diarrhoeal)	2.76	25.54
Ferrous Sulphate (anti-aneamic)	8.46	12.03
Ibuprolen (analgesic)	6.13	7.67
Propranolol Hcl (Anti-hypertensive)	48.78	70.95
Salbutamol (anti-asthmatic)	1.11	4.57
Nifedipine (cardiac drug)	6.00	29.59
Cimetidine (anti-ulcer)	7.96	35.59

Note : Even if allowance is made for the 15-20 per cent increase in consumer prices as a result of DPCO 1987, Indian prices still compare very favourably with prices in other developing countries where also prices have gone up since 1986.
Source: OPPI - IDMA.

TABLE 19: PERCENTAGE OF INDIGENOUS PRODUCTION OF DRUGS COVERED UNDER PATENTS ABROAD BY VARIOUS THERAPEUTIC GROUPS AS PER IDMA AND GOVERNMENT OF INDIA

Drug Groups	IDMA (Percentage)	Government of India (Percentage)
1 Antibiotics	40.23	16.00
2 Antibacterials	98.80	
3 Cardiovascular Drugs	40.18	51 00
4 Non-Steriod Anti-Inflammatory Drugs (NSAIDS)	22.16	20.00
5 Tranquillisers	74.42	17.00
6 Anti-Asthmatics	47.53	11.00
7 Systemic Antifungals	25.66	NA
8 Anti-leprotics	69.96	NA
9 Anti-Conoulsants	65.93	NA
10 Antipeptic Ulcer Drugs	65.92	NA
11 Oral Anti-Diabetics	55.30	NA
12 Anti-Histamines	21.42	NA
13 Cyfostatics and Anti-hen Remies	32.41	NA
14 Contraceptive Hormones	88.79	NA

Sources: (1) For IDMA: IDMA, 'Intellectual Property Rights and Patent Protection's 1992.
(2) For Govt. of India: Answer to Question No 235 in the Rajya Sabha by the Minister of State in the Ministry of Chemicals and Fertilisers, Government of India, dated March 12, 1992.

IV

Modus Operandi of Strengthening India's Patent Regime

Our analysis in the previous section has shown that India need not fear strengthening its patent regime in the pharmaceutical sector by introducing product patents and in Section II we have seen that India's increased dependency on the developed world in general and on the US in particular and the fall of the Soviet Union has made it increasingly necessary for India to toe to the general line followed by the developed and other developing countries. In this situation and in the light of our study, we will see what changes India can make without foresaking its interests.

At the outset, we would like to make three things clear.

(1) We are not of the opinion that India's Patent Act 1970 was not useful. In fact, we are of the opinion, that it was useful and helped the Indian pharmaceutical sector to be competitive. But changing this Patents Act, now in a way that will strengthen the patents regime, need not necessarily be harmful for the Indian pharmaceutical sector.

(2) The fact that we advocate strengthening of the patents regime in the pharmaceutical sector, does not automatically imply that the same holds good for other sectors of the economy and for other countries at present, even in the pharmaceutical sector. This needs sector-specific and country-specific studies.

(3) The fact that we are of the opinion that the patents regime in the pharmaceutical sector of India should be strengthened, does not automatically imply that we should accept all the conditions put forth by the advanced countries or by Dunkel in his Draft Text.

The second aspect is beyond the scope of this paper and the third aspect is the subject-matter of this section.

ISSUES INVOLVED IN GATT NEGOTIATIONS ON TRIPS

There are many important issues involved in the discussion between developed and developing countries on strengthening the patents regime.[39] Here, we will consider only those issues related to pharmaceutical sector in the Indian case. They can be grouped under the following heads:

(1) Issues relating to policy matters.
(2) Issues relating to implementation and administration.

The main issues related to policy matters in the negotiations on strengthening the patents regime in the Pharmaceutical sector, especially for India are: (1) Granting product patents, (2) Duration of the patents, (3) Considering imports as tantamount to working patents and continuing non-exclusive compulsory-licensing, (4) Reversal of the burden of proof and (5) Pipeline protection.

The main opposition against granting product patents in the pharmaceutical sector by countries like India, was the fear that it would increase the prices of pharmaceuticals and that domestic production would suffer. We have seen that there is no need to fear the introduction of product-patents on these counts. What we should guard against is that under any circumstances the non-patentable drugs (especially the ones in the WHO list) are not included under the list of patented drugs. One should also be aware of the fact that developing countries including India's close and potential competitors in Asia like China have accepted product patents. While there is no need to fear granting product patents in pharmaceuticals, India need not hesitate, but take the initiative and accept granting product patents in pharmaceuticals in order to bargain against such patents in other sectors, where such a thing should not be done and/or for bargaining on other issues in the pharmaceutical sector.

The duration for which patents are granted in India's pharmaceutical sector is seven years from the date of application or five years from the date of grant, whichever is shorter while it is 14 years in most of the other sectors. The criticism against the short duration of patents in India in general and pharmaceuticals in particular is that the time is too short for the patentee to gain the fruits of his inventions, as R and D is very costly in this sector and it presently takes a minimum of five years for a patent to be granted so that the effective term gets reduced to only about two years. For introducing a new drug it takes about that long to conduct clinical trials by which time it is all over.[40] The arguments against a longer patent term in general[41] are that if a longer patent term is given the patentee may not have any incentive to start production as soon as possible... the lead time between an invention and its commercialisation is getting shorter... and due to technological or economic obsolescence most of the patents do not last their full term. The shorter duration of patents especially in the pharmaceutical sector is justified on the grounds that it affects

the common man and is a social security issue.

Let us now put the facts squarely. The duration between the date of application and grant of patent is rather high in India. Table 24 shows that for the patent applications to become fructuous in the case of all countries together and also individually, it took two-three years in the period 1970-79, with three years being the modal year while it became three-four years in 1980-88 with 4 years turning out as the mode. Though we do not have the frequency ratios particularly for pharmaceutical sector, there is no reason to believe that the patents were granted quickly in this sector. Therefore there is truth in the argument that the effective years for patents is very less (usually three years if we follow the results in our table). With only three years left, it would be difficult to popularise the product and recover the cost on R and D, leave alone gaining profits forcing the pharmaceutical companies to shift to production of cosmetics and related items. While the optimum duration for a patent is debatable and depends on the trade-off between the costs of monopoly and provision of incentives, there is definitely a need for increasing the effective term. This can of course be done by suitable administrative measures without touching policy measures. If a patent is granted within one year of application, even though one doubts whether patent office in India can be activated to such an extent, then also the effective period would only be five years, as under the Patent Act 1970, patents in pharmaceuticals can be granted seven years from application or five years from granting the patents, whichever is shorter. While we feel that there is no harm in India granting a higher duration, it can fix the exact number of years for the pharmaceutical sector (say around 8-14 effective years) for bargain, though not 20 years as given in Dunkel Draft Text (DDT).[42] In fact, it has been reported that the IDMA which has been opposing the strengthening of patents regime has been reported to have accepted that the life of a patent for a pharmaceutical product can be extended from the existing seven years to a uniform 14 years as in the case of other products and industries.[43]

In the Dunkel Draft Text nowhere has it been mentioned that imports are tantamount to working patents in the patent granting country and also people like Chidambaram[44] say that the text does not warrant such an interpretation (i e, imports are tantamount to working patents). Though the text says that imports cannot be allowed by others without the consent of the patentee, this necessarily does not mean that the patentee can himself import it. Yet the draft is slightly tricky in this issue and as stated by Chidambaram,[45] the US and less so European countries and Canada, clearly regard the text as meaning that importation is equal to local

TABLE 20: PATENTS AND MARKET SHARES OF INDIAN AND FOREIGN AFFILIATED PHARMACEUTICAL COMPANIES

Sl No	Name of the Company	PUC (Rs Crore)	FE (Per Cent)	Nature of the Company	Size of the Company	Total No of Patents (1972-89)	Parent Companies Patents under Indian Name	Market Share (As on Year Ended '89)	
								Drug Formulations	Bulk Drugs
1	Glaxo India Ltd	20.00	40	Foreign	Big	3		6.0	
2	German Remedies	6.53	36.95	Foreign	Big	Nil		2.0	
3	Bayer India	16.22	51	Foreign	Big	4	44	0.5	
4	Boots Co (India) Ltd	8.10	40	Foreign	Big	23	8	1.6	3.49
5	E Merck (India)	5.94	40	Foreign	Big	6	1	1.2	
6	Hoechst (India)	9.57	40	Foreign	Big	228	168	4.5	
7	Pfizer Ltd	11.72	40	Foreign	Big	4	103	2.5	0.67
8	Rallis India	9.50	29.25	Foreign	Big	2		1.7	
9	Sandoz Ltd	5.30	51	Foreign	Big	3		1.5	
10	Searle (India)	5.21	39.16	Foreign	Big	17		1.4	
11	Cynamid (India)	4.55	40	Foreign	Big	7	16	0.9	
12	Hindustan Ciba-Geigy	17.70	40	Foreign	Big	66	30	2.1	
13	Eskayef	5.00	40	Foreign	Big	1		1.8	
14	Burroughs Wellcome	3.00	40	Foreign	Big		3	1.9	
15	Parke Davis	12.05	40	Foreign	Big	2		2.1	
16	Reckitt & Colomn (India) Ltd	8.39	39	Foreign	Big	35	2	0.5	
17	Warner Hindustan*	2.98	40	Foreign	Big		57	0.8	
18	Hindustan Antibiotics	38.42	Nil	Public Sector	Big	27		NA	36.68
19	Indian Drugs & Pharma	110.99	Nil	Public Sector	Big	14		2.9	
20	Ranbaxy Laboratories	9.14	Nil	Indian	Big	8		2.1	
21	Unichem Laboratories	1.35	26.38	Indian	Big	10		1.2	
22	Alembic Chemicals	4.11	Nil	Indian	Big	Nil		3.0	0.99
23	Cipla	1.57	Nil	Indian	Big	Nil		2.1	
24	JB Chemicals	3.51	Nil	Indian	Big	Nil		1.4	
25	Lyka Labs	2.99	16.06	Indian	Big	Nil		1.4	
26	Ambalal Sarabhai	22.19	Nil	Indian	Big	Nil		4.0	7.1
27	Jayant Vitamins	4.37	Nil	Indian	Big	Nil		0.9	
28	East India Pharma	98.9 lakh			Medium	2		0.8	
29	Jalaram Chemicals	8.0 lakh			Medium	2		NA	
30	Ortho Pharma Pvt Ltd	7.5 lakh			Medium	1		NA	
31	Armour Pharma	3.0 lakh			Small	1		NA	
32	Kontiki Chemicals	3.0 lakh			Small	17		NA	
33	National Pharmaceuticals Pvt Ltd	1.4 lakh			Small	1		NA	
34	Rachho Pharma	1.5 lakh			Small	5		NA	
35	Ralliwolf Ltd	1.82		Subsidiary	Big	6		NA	

Note : * Merged with Nicholas Laboratories India.
Source: Calculated by us from the ISID database.

manufacture. Developing countries have strongly argued against the non-working of patents stating that if a patent is only used for import purpose, non-nationals can exercise monopoly power over the protected market. Moreover there are no benefits for the importing developing country in the sense of extra production facilities.[46] Industrialised countries have argued that "it may be very uneconomical for a company to exploit its patent in all countries where the patent is recognised. Supplying foreign markets from a central production plant could be far more cost effective. Industrialised countries perceive prevention of the unauthorised copying of a protected product or process in the importing country one of the core functions of the patent. They therefore challenge the above-mentioned definition of working of a patent by stating that working also includes importing the product".[47] Our study has shown that even if product patents are granted and even if MNCs manufacture the commodity using the patented technology, the production should take place in India and not outside India. If imports are considered tantamount to working patents in the country then firstly, the very purpose of patenting for transfer of technology will be lost, secondly, the import bill will be higher leading to adverse balance of payments: and, thirdly, the high backward linkages of the pharmaceutical sector will be reaped outside the country. Thus, on no account can India accept this clause at the present stage of its development. We cannot accept the argument of Chidambaram that one way of addressing this concern is to provide for compulsory licensing for non-commercial public use without consulting the patent holder.[48] This is because "compulsory licences are not exclusive and the licensee is not put in a monopoly position and therefore lacks a reliable basis for investment and also compulsory licenses do not include know-how".[49]

One point to be noted here is that the developing countries advocate exclusive compulsory licensing, wherein the patentee loses the right to import and to market the product in the country, as he did not work the patents within a period of three years from the date of the sealing of the patent and was not able to give genuine reasons for it. Here, of course, flexibility is called for and we should not exclude the patentee from working the patent even when a compulsory licence is issued. While the patentee would not have been debarred from working the patent if he were to work it before the stipulated date, there is no need to be hard on him and prohibit him from working the patent after the date and he should be allowed pulsory licences have been issued. What however has to be guarded against is the imports by the patentee. Here the same policy of not considering imports as working of patents should hold good and thus non-exclusive compulsory licence devoid of imports can be advocated in such cases.

Another issue hotly contended between developed and developing countries is the question of 'reversal of the burden of proof. The advanced countries contend that if the competitor did really use an alternative process, he is normally the only one able to give evidence for that and therefore the burden of proof should be on the alleged infringer. This means that the latter must show that he has used an unprotected process to manufacture the challenged new product. The developing countries however contend that reversal of the burden of proof is at odds with basic legal principles in many countries where it is up to the plaintiff to provide proof and evidence; it relieves the (usually foreign) patentee from producing proof of infringement of his process patent and gives him a lot of coercive power and third parties will become less willing to invent or invest in alternate processes in developing countries because they might be sued for infringement.[50] According to Chidambaram[51] "the problem of reversal of burden of proof has been addressed in India by pointing out to Section 106 of the Indian Evidence Act, which already provides that when a fact is within the special knowledge of a person the burden is upon that person to prove that fact". In this context one has to be quite careful as the Dunkel Draft Text is a little mischievous when it says in Article 47: Right of Information that 'Parties, may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons and of their channels of distribution of the infringing goods or services.[52] Under this clause not only the burden of proof lies on the alleged infringer, but also he has to inform the identity of other possible infringers and the burden of proof lies on these third parties as well! This can result in a lot of mud-slinging and some parties can become scapegoats sometimes at the instance of the patent holder, who may be a multinational with his own vested interests. In this context one can broadly agree with the views of Pravin Anand[53] who says that "as regards the burden of proof, it is the existing law of India that the plaintiff, in an infringement action, would discharge his preliminary burden by stating certain basic facts and the onus of establishing recipe details would be on the defendant who alone has special knowledge of them". We feel that the plaintiff should produce basic evidence for the infringement and a high penalty should be charged on him in case his allegation proves to be false. The alleged infringer should also be asked to supply details before the case is decided. However this should be applicable only for companies or producers who market the product with the intention of earning profits and not on any single individual (or research organisation) who may infringe with non-profit motives like basic research. Otherwise an extension of this principle to copyrights in software will lead to undue difficulties for individual users of software purely for research purposes. Again our view holds good only for pharmaceutical sector and need not necessarily hold good for other sectors like agriculture and software where the situation is quite different and doubts still exist as to whether the plaintiff himself is an alleged infringer of the technology which he might have modified. This is because as said by Narasimhan 'the so-called 'inventions' always ride piggy-

TABLE 21: SHARE OF PHARMACEUTICAL PRODUCTS IN TOTAL SALES OF SELECTED MNCs AND INDIAN PHARMACEUTICAL COMPANIES

Name of the Company	Nature of the Company	Gross Sales (Rs Crore)	Gross Sales of Pharmaceuticals (Rs Crore)	Share of Pharmaceuticals in Total Sales (Per Cent)
Alembic Chemical Works	Indian	123.33	106.34	86.22
Rallis India Ltd	Foreign	356.94	60.00	16.81
Cyanamid India Ltd	Foreign	66.36	31.24	47.08
Unichem Laboratories	Indian	51 21	42.91	83.79
Cipla	Indian	91.34	73.50	80.47
Ranbaxy Laboratories	Indian	90.85	75.14	82.71
Jayant Vitamins	Indian	30.64	30.64	100.00
Glaxo India Ltd	Foreign	2089.14	160.89	7.70
Pfizer Ltd	Foreign	692.80	77.21	11.14
Eskayef	Foreign	432.27	58.10	13.44

Source: For gross sales: ISID database.
For gross sales of pharmaceutical products: CMIE, Market and Market Share, 1989, 1991.

back on prior ideas and frequently not all programming techniques are published, but are transmitted by word of mouth, or presentations at conferences, making it difficult to identify the true inventor.[54]

The Dunkel Text says[55] that no party is obliged to apply the provisions of the agreement before the expiry of a general period of one year following the date of entry into force of this agreement. They are also entitled to delay for a further period of four years from the date of application. Thus all countries get a transition period of five years. Further the text also says that the developing countries extending product patent protection to areas of technology not hitherto protected can get a further five-year period transition. Thus total transition period for them extends to 10 years. Least developed countries can get a transition, period of 11 years. However, in the course of the GATT negotiations, the US is insisting on 'exclusive marketing rights' for pharmaceutical and agro-chemical products. This is called 'pipeline protection'. Thus as observed by Jeroen van Wijk and Gerd Junne.[56] "In spite of transition period, patent applications may be filed for pharmaceutical and agro-chemical products as from the date of entry into force of the agreement. These applications remain in a 'black box' until the expiry of the transitional period. In respect of the products covered by these applications, there will be a five year period of marketing exclusivity after marketing approval, while awaiting the delayed grant of the patent. The exclusive marketing rights reduce the transition period for the protection of the pharmaceutical and agro-chemical products to zero"! Chidambaram[57] has argued for a 10-year clean transition period for countries like India without intrusion by what is called pipeline protection before they come under the new patent regime. He also quotes the example of the issue of Multi-Fibre Agreement (MFA) where "the advanced countries want a 10-year transition and during that period of 10 years the argument is back loaded, the integration percentage are inadequate and the coverage is sought to be extended to products which are not under coverage today". China which has made extensive reforms in its Patents regime, however considers that pipeline protection "does not conform with the principles of territoriality and independence in respect of the Paris convention. It will put the technically backward developing countries in disadvantageous circumstances".[58] While we have no reason to argue against

TABLE 22: PROFITABILITY RATIOS OF SELECTED INDIAN AND FOREIGN AFFILIATED COMPANIES IN PHARMACEUTICALS

S No	Year	Name of the Unit	Nature	Profits to Networth	Profits to Gross Sale	Profits to Net Sale	PbT Per Cent Networth	PbT Per Cent Gross Sale	PbT Per Cent Net Sale	Total Import (cif) Per Cent Sale	R Materials Per Cent Sale	Dividend Per Cent Sale
1	8586	Alembic Chemical Works Co	Indian	-9.54	-2.58	-2 73	-9.35	-2.53	-2.68	5.70	5.36	0.000
	8687		Big	11.67	3.27	3.46	11.67	3.27	3.46	3.00	2.72	0.000
	8788			3.32	0.81	0.85	4.09	1.00	1.05	4.12	3.98	0.000
2	8586	Rallis India Ltd	Foreign	15.71	1.78	1.82	29.88	3.38	3.45	4.86	3.19	0.076
	8687		Big	18.76	2.09	2.14	31.38	3.51	3.59	4.21	3 34	0.150
	8788			15.53	2.11	2.16	21.17	2.87	2.94	4.56	3.53	0.141
3	8586	Cyanamid India Ltd	Foreign	14.39	4.60	4.62	23.25	7.44	7.46	5.39	4.51	1.265
	8687		Big	7.69	2.37	2.38	12.41	3.83	3.84	3.37	2.83	1.169
	8788			10.06	3.55	3.58	12.03	4.24	4.28	4.12	3.65	0.428
4	8586	Unichem Laboratories Ltd	Indian	8.57	2.39	2.74	12.48	3.48	3.99	3.43	3.09	0.000
	8687		Big	6.74	1.81	2.00	9.38	2.52	2.78	3.86	2.61	0.000
	8788			5.28	1.33	1.46	7.38	1.86	2.03	3.77	3.37	0.000
5	8586	Ranbaxy Laboratories Ltd	Indian	24.78	4.89	5.12	29.22	5.77	6.03	23.65	2.30	0.000
	8687		Big	14.69	2.56	2.63	16.58	2.89	2.97	25.74	23.85	0.000
	8788			15.12	2.63	2.71	18.01	3.13	3.22	21.00	20.36	0.003
6	8586	Jayant Vitamins Ltd	Indian	64.39	14.73	14.73	64.39	14.73	14.73	0.83	0.35	0.000
	8687		Big	43.63	9.15	9.15	51.00	10.70	10.70	5.60	3.62	0.000
	8788			12.54	3 44	3.49	14.05	3.85	3.92	1.79	0.44	0.000
7	8586	Cipla	Indian	4.66	1.39	1.54	8.20	2.44	2.71	5.90	5.68	0.000
	8687		Big	11.63	3.61	3.86	16.07	4.99	5.33	6.05	5.67	0.000
	8788			8.63	2.59	2.76	10.81	3.24	3.46	6.11	5.89	0.000
8	8586	JB Chemicals	Indian	14.18	2.80	2.83	16.49	3.26	3.29	6.26	6.26	0.000
	8687		Big	14.56	3.05	3.13	16.48	3.45	3.54	5.26	5.26	0.000
	8788			18.75	3.66	3.80	22.53	4.40	4.57	5.50	5.19	0.000
9	8586	Glaxo Laboratories (I) Ltd	Foreign	14.73	4.22	4.95	26.54	7.60	8.93	2.52	1.12	0.981
	8687		Big	13.58	3.66	4.34	20.56	5.54	6.57	1.47	1.11	0.627
	8788			14.70	3.54	4.14	21.98	5.29	6.19	1.32	0.99	0.517
10	8586	Hoechst India Ltd	Foreign	18.51	4.17	4.44	20.65	4.65	4.95	6.88	6.19	0.407
	8687		Big	5.84	2.38	2.53	6.18	2.52	2.67	12.22	10.93	0.393
	8788			2.25	0.80	0.85	2.25	0.80	0.85	9.63	7.89	0.351
11	8586	Parke Davis & Co	Foreign	19.15	3.49	4.27	47.21	8.60	10.53	2.72	2.72	0.644
	8687		Big	18.27	3.41	4.26	35.42	6.61	8.27	2.31	2.23	0.656
	8788			4.89	0.95	1.19	13.43	2.60	3.28	2.58	2.16	0.653
12	8586	Pfizer Ltd	Foreign	9.63	4.42	5.04	15.99	7.35	8.36	3.22	2.96	1.717
	8687		Big	2.50	1.08	1.23	4.30	1.85	2.11	2.94	2.73	1.625
	8788			1.45	0.57	0.63	5.17	2.04	2.26	2.83	2.70	0.761
13	8586	German Remedies & Trading	Foreign	10.25	1.86	2.11	23.24	4.23	4.78	9.31	9 28	0.347
	8687		Big	-4.22	0.90	-1.01	-4.22	-0.90	-1.01	14.03	13.91	0.360
	8788			12.47	2.62	2.96	14 76	3.10	3.50	9.49	9.40	0.000
14	8586	Burroughs Wellcome	Foreign	10.81	3.72	4.21	22.27	7.67	8.68	7.10	6.95	0.609
	8687		Big	-6:55	-2.00	-2.18	-6.55	-2.00	-2.18	10.06	9 79	0.479
	8788			6.00	1.69	1.78	6 88	1.94	2.04	9.47	9.08	0.000
15	8586	Eskayef Ltd	Foreign	23.84	7.18	11.47	68.63	20.66	33.03	2.50	2.32	0.000
	8687		Big	29.70	9.47	15.03	51.48	16.41	26.05	2.31	2.26	0.555
	8788			26.59	9.36	15.07	43.87	15.45	24.86	3.13	3.02	0.000

Source: Calculated by us from the data available at ISID.

this view and while we are aware that the question of "pipeline protection' has not even been mentioned in the original text of Dunkel, there is also the fact that we have nothing to fear in accepting pipeline protection in pharmaceuticals as we have seen that the effect of introducing product patents in the case of pharmaceuticals in India is not much and a five-year pipeline protection will not make much of a difference in this regard especially when the patents of most of the American drugs are expected to expire in 1990-95, and the Indian companies have already identified their 'target drugs' and are on the process of drawing up plans for an assault on the US market when the patent concerned expires.[59] However we need not hurry in this issue and can use it as a bait in our negotiations to get the pipeline protection granted to developed countries under MFA removed or lessened.

TABLE 23: TOTAL VALUE OF IMPORTS AND EXPORTS OF DRUGS AND PHARMACEUTICALS FROM 1973-74 TO 1988-89 AND 1989-90

(Value in Rs crore)

Year	Total Imports	Total Exports	Trade Balance
1973-74	34.16	37.33	3.17
1974-75	46.90	43.14	-3.85
1975-76	46.02	42.27	-3.75
1976-77	54.17	54.13	-0.04
1977-78	82.42	60.77	-21.65
1978-79	95.33	69.02	-26.31
1979-80	120.03	71.16	-48.87
1980-81	112.81	76.18	-36.63
1981-82	136.77	95.41	-41.36
1982-83	148.48	111.06	-37.42
1983-84	163.34	161.82	-1.52
1984-85	215.62	217.49	1.87
1985-86	267.40	194.37	-73.03
1986-87	287.59	222.95	-64.64
1987-88	349.44	289.69	-59.75
1988-89	446.91	467.60	20.69
1989-90	652.12	856.90	204.78

Source: IDMA, *Annual Report, 1992.*

There is the allegation against India that not only do its patent laws violate IPRs, but also that these laws are not properly implemented and consequently countries like the US are incurring heavy losses. Since the then USTR Carla Hills herself had said that granting product patents will affect only 5 per cent of Indian drugs, the losses to the US are presumably not due to this factor. Then the implementation of the process patents which we have granted seems to be the most important reason leading to the alleged losses. But here also there is no clear-cut picture, as people like Bhai Mohan Singh[60] have said that American companies estimate losses from the very basic stage and not the spin off stage. Further, as also pointed out by Bhai Mohan Singh[61] "when the advanced countries like the US, Japan and EC countries were in the stage of development India is in today, their laws and implementation were not any better, possibly worse". However, there are certain aspects related to implementation and administration that needs to be attended to:

(1) The time between applying for a patents and granting the patent should be reduced. This is good from India's point of view as well, as, having decided to grant patents, it is better to do it quickly, in order to get the benefit of the new technology quickly. So the administrative machinery has to be geared up to meet the needs and a complete face lift has to be given to the Patents Office and its working. In fact, the highest office sanctioning transfer of technology to India seems even to lack in giving a semblance of the latest technology and expertise which it is helping to transfer to India.

(2) In the case of wide scale infringement of the patents granted, while the government should take action and even co-operate with the patent holder in bringing the infringer to book, wherever possible, the government should also negotiate with the patent holder to charge some 'pardon-amount' and allow the infringers to use the patented process or product of popular drugs and medicines which have been copied on a wide scale.

(3) Confusing clauses in the law which make administration and implementation of patents difficult have to be removed or modified e g as mentioned by Pravin Anand,[62] "There are horrendous provisions such as Section 43, by which an opposed patent cannot be sealed in appeal even if the appellate court refuses to stay sealing. Thus in a case relating to Orissa cement, even through the Delhi High Court refused to stay sealing, the controller considered himself bound not to seal and despite a provision in the act that the appeal should be heard within one year, 12 out of the 14 years have already gone by and the appeal is still pending". Similar cases may be found even in the pharmaceutical sector. Thus a serious attempt should be made to streamline the procedure of the Patents Act and the working of the patent office to make the patent right a meaningful one.

(4) While the list giving what are not inventions can be pruned as opined by Daruwalla[63] certain conditions are not needed e g, licensing of related patents[64] which says that "at any time after the sealing of a patent any person who has the right to work any other patented invention either as a patentor or as a licensee thereof may apply to the controller for the grant of a licence of the first mentioned patent on the ground that he is prevented or hindered without such licence from working the other invention efficiently or to the best advantage possible". These issues should be settled before sealing the patent. Moreover the aggrieved parties can lodge the complaint before the patent is sealed within a given stipulated time.

Thus the Patents Act has to be carefully modified to make its implementation and administration smoother and efficient.

TABLE 24: FREQUENCY TABLE OF THE YEARS TAKEN FOR PATENT APPLICATIONS TO BECOME FRUCTUOUS

Years Taken	UK		USA		W Germany		France		Japan		India		Other DCs		Other LDCs		Russia	
	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88	1970-79	1980-88
0	26	8	85	2	27	1	14	10	14	0	51	5	44	0	10	0	1	0
1	211	5	533	25	261	6	80	2	70	9	686	39	294	9	106	2	55	1
2	461	35	1214	233	620	104	229	24	186	59	1445	355	734	107	236	35	147	37
3	723	343	1482	1267	678	555	252	247	198	265	1979	1319	951	687	221	132	162	160
4	178	499	602	1662	283	589	124	409	86	258	466	1164	402	883	79	135	55	85
5	50	85	186	237	85	58	39	42	22	22	128	167	108	111	21	28	9	10
6	5	8	8	30	5	2	2	6	0	3	6	22	5	6	3	0	0	0
7	1	1	13	6	0	1	2	1	0	0	2	10	4	0	2	0	0	0
8	30	0	16	4	31	0	20	0	7	0	5	0	30	0	0	0	0	0
9	0	0	41	0	0	0	1	0	0	0	2	0	13	0	2	0	0	0
10	2	0	22	0	0	0	6	0	0	0	3	0	2	0	0	0	0	0
11	2	0	4	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Calculated by us from the ISID data base.

Other Issues

Some other issues can be listed below:

(1) Whether negotiations should take place under the auspices of GATT or WIPO.

(2) Whether unilateral action can be allowed.

(3) Whether India should join the Paris convention.

WIPO vs GATT: This was an important issue when the TRIPS negotiations were beginning. But now even those people who have advocated that negotiations should take place under WIPO seem to have lost interest in pursuing their idea. While WIPO is considered to represent the interests of developing countries and GATT those of advanced countries there is no need to make much of a fuss on this issue now and the negotiations can be completed under the GATT.

Unilateral Action: The US has been resorting to unilateral action by involving the Special 301 provisions of its trade act and have targeted many countries including India for alleged shortcomings in their IPP legislations. The Special 301 provisions require the USTR to negotiate specifically on IPP with countries whose IPP standards are prejudicial to American trade interests. This unilateral action is taken side-by-side with the pressure applied in the multilateral negotiations under GATT. In fact the US is threatening to link the issue of IPRs with GSP (General Scheme of Preferences). We are of the opinion that no country should be allowed to follow such unilateral actions while negotiations under the multilateral forum of GATT are underway. The question of unilateral actions should come only if GATT talks fail. Of course the GATT negotiations should be completed speedily and successfully to avoid such embarrassments. This needs a positive outlook and sincere effort on the part of both the developed and developing countries.

Joining the Paris Convention: There are people who feel that 'it is high time that India became a member of the Paris convention of 1883 as a lot of foreign technology is accidentally lost, as owners harbouring a wrong impression do not apply in India prior to publication and by the time the fact is discovered, it is too late'.[65] But there is also great opposition by economists in India joining this convention. The disadvantages for India in joining the Paris convention and the advantage of the Indian Patents Act has been summarised by Mehrotra[66] and has been given in the Statement.

While some of the disadvantages in the list mentioned above can no longer be considered as disadvantages, in the light of our study, there are some disadvantages

Statement: Comparative Loss-Benefit Analysis for Indian Pharmaceutical Industry in Joining Paris Convention

Indian Patents Act Advantages	Paris Convention Disadvantages
To People of India	
1 No product patent on drugs, foods etc, and hence can be available at lower costs.	1 Patented products can be imported except at exorbitant monopoly prices.
2 Revocation of patents in public interest. Government can ensure indigenous production in public interest.	2 Patented products cannot be produced in the country except with the premission (licence) from the patentee (exorbitant cost).
3 Rigorous provisions of compulsory licensing.	
4 Power to government to use inventions (for people).	
5 Government can import patented drugs (public use).	
To Industrial Development	
1 Drugs not being under patent can be indigenously produced.	1 Compulsory licensing very difficult and hence monopoly market of MNCs.
2 Compulsory licensing; revocation of patent in public interest; power of government to use invention—even licence to third parties —indigenous production.	2 Effective protection against unfair(?) competition by indigenous industry (helps maintain monopoly of MNCs)
3 Can import drugs/technology for indigenous production from wherever available (cheaper).	3 Cannot obtain technology except under lincence from patentee (exorbitant cost).
4 Can also export technology/patented products to non-PC countries.	4 Can't export patented products/technology.
	5 Can't import patented bulk/technology.
	6 Difficult to break blocking/comprehensive repetitive patents.
S and T Development	
1 Scientists can patent incremental innovations/inventions.	1 Indian scientists can t patent because of (6) above.
2 Indian scientists can still continue to obtain patents anywhere in the world and get same rights available to others.	2 Restriction in industrial/technological development doesn't provide climate for further S and T development.
3 Because of bilateral agreements and membership of WIPO, etc, can still get all infomation on patents.	

Source: Mehrotra N N: 'Patents Act and Technological Self-Reliance: The Indian Pharmaceutica Industry', *Economic and Political Weekly*, Vol 24, No 19, May 13, 1989, p 1063.

like the difficulty in break blocking/com prehensive repetitive patents which also hinders the development of S and T. Besides, the issue of joining the Paris convention can be decided only after making sector-specific studies of other sectors. Moreover if the reforms suggested by us are followed, then the question of joining the Paris convention will be less important from the point of the pharmaceutical sector.

V
Conclusion

In this paper we have made the followings facts clear:

(1) India's dependency for technology on the US in particular and the developed countries in general has been increasing.

(2) In the pharmaceutical sector, India is quite competitive and the prices will be affected mainly due to decontrol of prices rather than introducing product patents.

(3) While there is no need to fear granting product patents by India in the pharmaceutical sector, considering imports as tantamount to working patents cannot be accepted; duration of patents can be left for mutual bargaining and pipeline protection can be used as a bait for cancelling or reducing pipeline protection of developed countries in sectors like textiles.

(4) The administration of the patents has to be streamlined and Patents Act has to be modified.

(5) While unilateral action by the US should be discouraged when the multilateral negotiation are making headway, joining the Paris convention is not an important issue from the point of view of the pharmaceutical sector if the measures suggested by us are accepted.

(6) Greater importance to R and D and substituting non-patented drugs for patented drugs are called for in the pharmaceutical sector.

In conclusion we can say that the

patents regime has to be strengthened on the lines suggested by us to promote greater transfer of technology and join the process of international harmonisation without foresaking India's interests. Sector-specific studies for other sectors are the need of the hour.

Notes

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1 For a detailed and latest discussion on these aspects see: Jeroen Van Wijk and Gerd Junne: *Intellectual Property Protection of Advanced Technology*, October 1992 (mimeo).

2 See: Department of Science and Technology, Government of India: *R and D Statistics 1990*, p viii

3 Griliches, Z. has argued that 'showing that patent statistics are a good indicator of inputs into inventive activity is a useful accomplishment on its own merit. It allows us an insight into what is going on in more areas and also in much more detail than is possible to glimpse from the available R and D statistics'. See: Griliches, Z., 'Patent Statistics as Economic Indicators: A Survey', *Journal of Economic Literature*, Vol 28, December 1990, pp 1661-1707.

4 This table is based on the figures given by department of science and technology, government of India.

5 See: *Financial Express*, April 23, 1993.

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7 See: (a) N N Mehrotra: 'Patents Act and Technological Self-Reliance: The Indian Pharmaceutical Industry', *Economic and Political Weekly*, May 13, 1989.
(b) Agarwal P S, P K Ramachandra, B V Rangarao, 'Anomalies in Drug Prices and Quality Control' *Economic and Political Weekly*, Vol 7, Nos 46 and 47, 1972.

8 Ibid.

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10 Mehrotra N N, 'Patents Act and Technological Self-Reliance: The Indian Pharmaceutical Industry' *Economic and Political Weekly*, Volume 24, No 19, May 13, 1989, p 1063.

11 Shobha Ahuja gives RCAs and RCDs for the pharmaceutical sector using only the market share approach (see: Ahuja Shobha, 'Potential for Generating Mutually Beneficial Trade Flows between India and Pacific Rim based on Revealed Comparative Advantage', *Foreign Trade Review*, Vol XXVI, No 4, January-March 1992, pp 271-96). But the Bela Balassa approach is considered to be better than the market share approach (see: Fernando de Mateo: 'Trade in Services and the Developing Countries' in UNCTAD: *Services and Development Potential: The Indian Context*, 1989, pp 56-58.

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15 World Bank: *The World Bank Annual Report 1991*, p 118.

16 Staff correspondent of Business Standard: 'Drug Patents to Have Greater Impact on Prices than Feared', *Business Standard*, April 26, 1992

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19 IDMA: mimeo (made available to us by IDMA, New Delhi), January 13, 1993.

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22 Mitra Sisir: *Cheaper Drugs for the Common Man*, Booklet published by OPPI, p 9-10.

23 Planning Commission, Government of India: *Eighth Five Year Plan 1992-97*, Vol I, p 31.

24 IDMA—OPPI: op cit, p 10.

25 Mitra Sisir: op cit, p 8.

26 IDMA—OPPI: op cit, p 31(a)

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29 See: CMIE, op cit.

30 See: Annual Reports of Controller General of Patents, Designs and Trade Marks, Government of India.

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33 For Profitability to net worth ratios in other sectors see:
(i) Reserve Bank of India: 'Finance of large Public Limited Companies 1990-91' *RBI Bulletin*, December 1992.
(ii) RBI, 'Finances of Foreign Controlled Rupee Companies 1988-89' *RBI Bulletin*, November 1992.
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36 See: *Indian Express*, April 24, 1993, p 14.

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Anti-Arrack Agitation of Women in Andhra Pradesh

D Narasimha Reddy
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There is a determined bid by the state, particularly the police, the contractor's henchmen and the political parties to dissipate the anti-arrack movement in Andhra Pradesh. The movement has not merely raised the women's question as is being portrayed by the press and a section of the intelligentsia, but has targeted its attack on the nexus between the politicians, police and arrack contractors.

I

BEGINNING in the early August 1992, in a remote village of Dubagmta of Nellore district in Andhra Pradesh, the agitation by women protesting against arrack auctions and demanding ban on the sale of arrack spread to almost all districts of the state. The movement against the sale of arrack started in north Telangana districts like Warangal, Karimnagar and Adilabad at the behest of the CPI(ML) (PWG in particular and other groups) but attempts were made to suppress it by the police intervention which went to the extent of selling arrack not only under police protection but even in the police stations. Notwithstanding the repression, there is a widespread people's ban on arrack sales in these districts and no auctions could be held for as many as 1,739 arrack shops in 1990-91 in Warangal, Karimnagar and Mahaboobnagar districts. While the CPI(ML)-sponsored ban on arrack sales was met by the state with brutal attacks on agitating women, apparently the movement started spontaneously but in fact as a result of a combination of social, economic and political factors, was initially responded by the state with a kind of indifference under a cynical hope that it would fizzle out. This attitude of disdain bordering on scorn could be seen from even the response of the English press. The movement was about two weeks old by the time newspapers like *The Hindu* and *Indian Express* started reporting. Starved of any important issue that would adequately capture the attention of the people, a ride on the crest of which would be vote-spinning, the anti-arrack agitation provided a ready bandwagon to political parties like TDP. The National Front leader N T Rama Rao missed no time and converted the train journey to his film shooting locale in Araku Valley near Vishakhapatnam to address meetings by stopping the train even at unscheduled railway stations with scant respect to the inconvenience caused to other passengers. The CPI(M) celebrated its involvement in the movement by conducting a national seminar at Hyderabad through its front organisation Jana Vignana Vedika and provided a common platform, where all the parties, except BJP, including the Congress(I) exhorted the need for ban on arrack and left. The anti-arrack agitation in Andhra Pradesh is threatened with dissipation because of state repression and attacks engineered by arrack contractors on the one hand, and on the other the gimmicks of 'major' opposition parties which are hardly involved with the movement at the grassroots level.

To understand the movement with a view to strengthen it, one must place the problem in its proper historical and social context. The second part of this note tries to provide the recent historical background on the issue of prohibition and the third part draws attention to the mechanisms of penetration of the liquor lobby into the political process denigrating the democratic fabric of Indian society. At the end an attempt is made to provide a policy outline as a response to the immediate context.

II

Prohibition as State Policy

The early British policy relating to liquor consumption, which was also interlinked with excise revenue, was one of temperance and of restricting the consumption of intoxicating drinks. One of the earliest policy pronouncements dates back to September 7, 1905, which stated that their 'settled' policy was "to minimise temptation to those who do not drink and to discourage excess among those who do, and to a furtherance of this policy, *all considerations of revenue must be absolutely subordinated*" (emphasis added). The policy of regulation and of discouraging the use of alcoholic drinks in excess continued till 1921, when with the introduction of the first constitutional reforms, the movement towards prohibition gained strength and resolutions declaring that prohibition was the ultimate goal of excise policy were passed by several state legislatures.

Several state governments apparently took measures to minimise the consumption of alcoholic drinks by the enforcement of controls on their manufacturing and distribution. But these measures do not appear to have had any salutary effect. In 1930-31 and 1932-34, as a part of the civil disobedience movement there was picketing of liquor shops and toddy booths. The enforcement of complete prohibition, figured as the first item in the national demands submitted by Gandhiji to the British government in 1931. He wrote in *Young India* in 1931, "...If I was appointed dictator for one hour for all India, the first thing I would do would be to close without compensation all liquor shops, destroy all toddy palms such as I know in Gujarat, compel factory owners to produce human conditions for their workmen and open refreshment and recreation rooms where these workmen could get innocent drinks and equally innocent amusements... For the loss of revenue from drinks, I would straightaway cut down the military expenditure..."

The provincial autonomy of 1937, which brought the Congress into power in several states, brought life to the programme of complete prohibition. Provinces like Bombay and Madras started implementing prohibition policy in stages. But the outbreak of the second world war and the consequent resignation of Congress governments in the states put a halt to the prohibition policy. Prohibition was lifted in all the states and revenues from excise soared high during the second world war period, partly because of the inflationary conditions and partly owing to popular ministries in the states.

The second world war was an important turning point which brought the liquor revenue to the fore. It was during the second world war that revenue from excise, an indirect tax, became the single largest source, bypassing the land revenue, a direct property-based tax. In Bombay state, excise receipts which amounted to Rs 2.8 crore in 1938-39 increased by 1946-47 to Rs 9.7 crore, the single largest source of tax revenue yielding about 34 per cent of the total tax revenue. In Madras state, excise receipts increased from Rs 3.8 crore in 1938-39 to Rs 16.8 crore in 1945-46, against Rs 8 crore from land revenue. *Notwithstanding the growing revenue presence of the excise duty,*

both the states introduced prohibition as soon as popular ministries assumed office in 1946. In Bombay a decision was taken to bring about complete prohibition in the state by gradual stages within three years from April 1, 1947. Progressive reduction in consumption was ensured by: (1) Closure of excise shops for 2 days in 1947-48, 3 days in 1948-49 and 5 days in 1949-50, (2) Progressive reduction in the number of shops, and (3) Reduction in the strength of liquor in the case of country liquor.

A separate law called the Bombay Prohibition Act 1949 was enacted and complete prohibition was brought about in the state with effect from April 6, 1950. Similarly in Madras state soon after the resumption of power by the popular ministry, the policy of prohibition was revised and by 1948-49, it was extended to all the districts.

Prohibition as an important state policy figures in the Directive Principles and Article 47 which directs that the states "shall endeavour to bring about prohibition of consumption, except for medicinal purpose, of intoxicating drinks and of drugs which are injurious to health".

The task of extending prohibition as a national policy was considered as an important welfare measure and the responsibility for working out the modalities of the implementation of the policy was assigned to the Planning Commission. The Planning Commission appointed the Prohibition Enquiry Committee in 1954 [Shriman Narayan committee 1954] which submitted the report in 1955, was very optimistic about the adoption of prohibition as national policy and made a number of recommendations for a time-bound implementation. Some of the important recommendations are: (i) that prohibition should be regarded as an integral part of the second five-year plan, (ii) that the target date for completing nationwide prohibition should be April 1, 1958, (iii) that in states which were yet to make a beginning and in the wet areas in partial prohibition states, from April 1, 1956, there should be stoppage of drinking in hotels, bars, restaurants, messes, clubs, cinemas and in parties and functions, (iv) that there should be prohibition committee in each district and at the village and mohalla level, (v) that the excise duties on narcotics and intoxicants collected in the states are highly iniquitous, regressive and anti-social and this kind of levey has no justification to exist in a progressive tax system and should be wiped out at the earliest, (vi) that the union government would give adequate assistance to those states which depend on excise for a considerable part of their revenue to introduce prohibition in their areas, and (vii) that a clear-cut statement may be issued by the union government to the effect that prohibition has become a national policy.

As a sequel, the policy of prohibition was discussed as a non-official resolution by the Lok Sabha which passed the following resolution on March 31, 1956:

> This house is of the opinion that prohibition should be regarded as an integral part of the Second Five-Year Plan and recommends that the Planning Commission should formulate the necessary programme to bring about nationwide prohibition speedily and effectively.

The Second Five-Year Plan included, as part of its 'social weflare services', prohibition as an essential item of social policy. It emphasised that in the consideration of any basic social policy, financial considerations, although of great practical importance, are not to be treated as decisive in character. It suggested the following steps to be taken by the state governments in wet or partially wet areas: (1) discontinuance of advertisements and public inducements relating to drink; (2) stoppage of drinking in public premises (hotels, hostels, restaurants, clubs) and at public receptions; (3) setting up of technical committees to draw up phased programmes with the object of (a) reducing progressively the number of liquor shops both in rural and urban areas; (b) closing liquor shops for an increasing number of days during the week; (c) reducing quantities supplied to liquor shops; (d) progressively reducing the strength of distilled liquor produced by distilleries in India; (e) closing of shops in and near specified industrial and other development project areas; and (f) removal of shops to places away from main streets and living quarters in towns and villages; (4) Taking active steps to encourage and promote the production of cheap and healthy soft drinks; (5) assisting voluntary agencies in organising recreation centres; and (6) including prohibition as an item of constructive work in national extension and community project areas and social welfare extension projects.

One important step taken during the Second Five-Year Plan was the setting up of the central prohibition committee by the home ministry and the committee met towards the end of 1960 to review the implementation of prohibition policy. Otherwise, the action taken by the state governments was not significant and the progress for the country as a whole was slow. One of the significant aspects of the Third Five-Year Plan was to emphasise prohibition essentially as a social welfare movement and recognition that if prohibition were to rest primarily on enforcement by the police and by excise staff, not much progress would be made.

> The main reliance has therefore to be on: (a) the creation of a *growing public opinion* in favour of prohibition conceived as a social welfare measure in the interest of the general mass of the people; (b) voluntary organisations, which should be given the necessary support and assistance by the government in carrying out social and educational programmes; (c) implementation of various development programmes undertaken by government agencies in education, health, social welfare, etc, with due emphasis on the significance of prohibition; and (d) availability in canteens of cheap and nutritious food and non-alcoholic beverages and encouragement of sports, and recreational activities on a group- and community-basis.
>
> With a view to achieving greater progress in these directions, it would be useful to provide financial assistance to voluntary organisations for educational and promotional work among the people and also to give a measure of support to other activities which would assist the progress of prohibition.

Assigned with the task of devising the machinery and modalities for the introduction of prohibition as a national policy, the Planning Commission appointed in 1963 a study team on prohibition under the chairmanship of Justice Tek Chand. The study team submitted its report in 1964.

For anyone dealing with liquor problem in India, Tek Chand Report (1964) is a compulsory reading. Its informative and educative value is uncomparable. The comprehensive report running into 1,265 pages in two volumes covers almost every aspect of liquor manufacturing, trade, consumption, consequences, the history of the movements against liquor in India as well as abroad, the problems and failures of prohibition law. The only striking deficiency, a reader of 1990s would find is the absence of discussion, except in passing remarks on the situation in individual states of the corrupting influence of liquor trade on the political processes. One may explain it away either as a result of the terms of reference being different or because of the liquor-politics nexus by the mid-60s not yet assuming such depths of degradation. Be that as it may. It need not detract one from the merits of the report.

The most important recommendations of the team include changes in the provisions of liquor laws, electoral disqualification of persons involved in liquor offenses, mass education and publicity, active role for voluntary agencies and Nasha Bandi Lok Karya Kshetras throughout the country and a four-phased programme culminating in total prohibition preferably by January 30, 1970. But it was a cruel irony that during this period what really happened was quite the reverse—prohibition was lifted in almost all states, except Gujarat.

It is very perplexing as to how such a comprehensive report like the one by

Justice Tek Chand met such a cruel fate. To unravel the mystery one should take into consideration the slow but sure changes in the nature of the emerging ruling classes, their social base and the compulsions of the coalition. Even as the Tek Chand study was being contemplated, the Uttar Pradesh government abolished prohibition in 11 districts where there was prohibition in 1964 but introduced certain dry days! Madhya Pradesh quickly followed suit. Mysore was the first state in the south to relax even its partial prohibition in 1964. Haryana scrapped it from April 1967 and Kerala did so in the same year. Orissa was the next to scrap prohibition in 1968. The Andhra area of Andhra Pradesh followed suit in 1969. Assam liberalised prohibition in 1970. Maharashtra revised its policy towards a permit system. And with the abolition of prohibition in August 1971 in Tamil Nadu—hardly a year had passed since Gandhi Birth Centenary, there was no major state save Gujarat where prohibition was in force.

All observers of India notice that the mid-1960s mark a clear turning point for worse in the economy, polity and even in social policy as could be seen from the fate of prohibition policy. Not only were the otherwise much acclaimed recommendations of the Tek Chand report put to cold storage, even the Planning Commission which included prohibition as a part of the welfare programmes of the second and the third plans, seems to have turned a cold eye. There is no mention of prohibition in the Fourth Five-Year Plan document or the Annual Plans that preceded it!

The reasons for such a complete reversal to the 'prohibition policy' are not far to seek. These were closely linked not only to the economic and political changes but also with the subtle but perceptible changes in the very nature of the ruling classes, and their support base and means as well as sources of power. Of this, the liquor excise revenue to the state and liquor contracts or illicit gratification to the ruling classes make the reversal of prohibition policy a political necessity and of course a social scourge. Liquor emerges as a major source of revenue without displeasing the rich. What is more startling are the consequences. Let us first see how the turn around actually happened.

Ever since the formation of 'popular ministries' in the states in 1946, the pursuit of prohibition as a state policy was accepted but the action taken varied from that of complete prohibition in states like the then Madras and Bombay, partial prohibition in Uttar Pradesh and Madhya Pradesh, a policy of temperance in states like Bihar and West Bengal and no dry law in states like Rajasthan and erstwhile Hyderabad.

In most of the states which did not go in for prohibition, the policy of minimising liquor consumption through maximum excise revenue ended up only in raising revenue instead of reducing liquor consumption. By late 50s, even in a state like Andhra Pradesh, which had parts without dry law, were moving towards revenue maximisation, disregarding the very objective of curbing liquor consumption. The Andhra Pradesh prohibition inquiry committee report (1955) observed that "the objective of minimum consumption was not helped but vitiated by the objective of maximum revenue in which revenue was sought to be obtained from the poorest classes for being spent on society in general". The report of the Taxation Enquiry Commission (1955-56) also observed: " . it is thus clear that the aim of reducing consumption has come to be ignored, and that though half a century has elapsed since the policy was first adumbrated, no tangible result in the direction of reducing consumption have flowed from the manner in which it has been in operation so far". But it was yet another irony that this report of 1954 which produced recorded evidence on the failure of implementation of the dry law, instead of suggesting the ways and means of plugging the loopholes came out in favour of complete scrapping of the dry law! Needless to say that this committee had a mechanical administrative perspective devoid of either the history of such a measure in other parts of the world, or the historical context within India or the welfare implications involved in the issue. For such an effort, one had to wait for the reports of Shriman Narayan and Tek Chand panels.

Now, let us return to the questions as to why there was a complete reversal by the end of 1960s in the implementation of a constitutional directive on prohibition as a national policy to which the government of India was committed by a parliamentary resolution? And with what consequences? Of course, the answer may not be available in the nature of causes separated from the consequences but in the dialectics of the consequences in the womb of the causes as well.

At this juncture, it may not be much of a digression to draw attention to the twin roles of the state in India. One is to keep the coalition of the heterogeneous dominant classes by catering to their needs and the other is to create a network of patronage through programmes that would serve as a thread that links the loyalty of the masses to the ruling classes. *Etatism* of this kind means that it is through the state that the ruling classes enrich themselves and it is through the state that they lay claim to the loyalty of the masses.

The strains of such a role aided by certain natural calamities became quite apparent by the late 1960s. The state's role as a mobiliser of resources and as an investor faced severe constraints. The state investment registered deceleration. There was a threat to its role as an agency to

TABLE 1: CONSUMPTION OF DIFFERENT LIQUORS IN ANDHRA PRADESH

Year	No of Shops	Arrack Consumption (Million Shops Litres) (30°UP)	Shops	IML Consumption (Million Proof Litres)	Beer Consumption (Million Bulk Litres)
1969-70	7159				
1970-71	8669				
1971 72	9294				
1972-73	9546				
1973-74	10745				
1974-75	12001				
1975-76	13847	54.4			
1976-77	13809	61.5			
1977-78	14154	63.4	1661	3.03	24.9
1978-79	14150	66.4	2998	4 4	74.2
1979-80	14135	67.1	4566	4.3	63.3
1980-81	13996	70.3	4321	4 4	44.0
1981-82	13847	69 7	3087	7 8	37.3
1982-83	16059	74.0	3698	8 9	38.4
1983-84	17643	83.3	4294	11 3	36.1
1984-85	18648	86.5	5941	10 5	37.9
1985-86	18949	88 7	5847	11 3	49.7
1986-87	22657	94 8	5381	14 2	45.8
1987-88	22803	103 7	5344	18.6	37.0
1988-89	16772	117 2	6072	15.5	46.2
1989-90	16426	116.1	6503	21 9	46.9
1990-91	16436	111.2	6744	18.1	49.9
1991-92	16507				

Note . Rounded off to the nearest crore
Source: Reports of the Comptroller and Auditor General of India

legitimise the regime, the dominant coalition. Even the success of the green revolution in its early phase was throwing up its own contradictions as could be seen from mobilisation of farmers for higher prices and better terms of trade. The early avenues of public works contracts under the strain of resources were not proving adequate to 'harvest' their riches. In fact for the large majority of the land-based politicians incomes are associated with 'harvesting' notions and there is no other avenue that can harvest profits as quickly as contracts to the repertoire of which the liquor contracts were added by the late 1960s.

Of the many factors, one that played a decisive role is the capacity of the liquor trade to quench the growing 'revenue' thirst of not only the states which were not willingly to displease the affluent by taxing their growing wealth and incomes but also of the ruling elite who were looking for easy and quick sources to enrich themselves as well as to finance their election expenses which were reaching scandalous proportions, incapable of being met by any hard-earned incomes or party-funding, however ingenious the mechanisms of mobilisation might be. It is interesting to note that company contribution to political parties was banned by legislation in 1970. State excise to the states and liquor contracts to the ruling elite or their henchmen made politicians to look upon prohibition as utopian and far from being pragmatic. This stink of pragmatism in the polity was spreading all over making a mockery of the democratic process. By late 60s and early 70s there was no shadow of doubt about the decadence and the entire political process was soaked completely in liquor largesse.

In 1973, Jayaprakash Narayan wrote:

> ...money, falsehood, corruption and physical force have combined to erode steadily the very meaning and substance of elections. Election costs have been growing by leaps and bounds, and cases have been reported in which single state assembly candidate is said to have spent between Rs 30 to Rs 40 lakh and a Lok Sabha candidate as much as Rs 60 to Rs 90 lakh. But even if the cost is one-tenth of these staggering amount, the poor man's party or candidate has no chance whatever.
>
> Nor can representatives capable of spending such large sums be ever expected to work for the poor. In the same way, the vice of impersonation, fed on secret funds, and the use of physical force, supported by powerful political and caste interests, have been growing at an alarming rate. Corruption of the electoral machinery, commonly manifested in intimidation and buying up of presiding officers, has been growing apace alongside corruption in other fields.

That day it was an allegation for the state. But this day, November 12, 1992 to be precise, is an open recognition, when the prime minister inaugurating a conference of chief ministers on the 'Administration of Criminal Justice' lamented on the "very obnoxious criminalisation of public life" and there was "increasing criminalisation of politics and politicisation of criminals". He also observed that it has been talked about for a long time.

The liquor trade which was considered a social stigma up until the late 60s and associated mostly with bootleggers, the criminal and anti-social elements, started acquiring political respectability with the growing dependence of the political elite on the money and muscle power of the liquor traders. The auction system in arrack and toddy, the rivalry in illicit distilling of arrack and smuggling of IML to avoid excise, gave rise to the maintenance of criminal gangs by the liquor contractors. The liquor contractors who were kept at an arm's length by the politicians earlier, started becoming their close allies to begin with, but soon the temptations and compulsions of the changing nature of the elections and the growing resource needs of electoral politics turned many politicians into liquor contractors as much as some of the liquor contractors graduating into politicians. Thus by the end of 70s the criminalisation of political process gets rooted in the liquor and the very mention of regulation or control, leave alone prohibition, was met with ridicule and dispensed as non-pragmatic by all major political parties, in or out of power. The plight of the people who are the victims of the spreading tentacles of liquor and the liquor-based politics hardly got any attention. It is in this context the anti-liquor movement of the women of Andhra Pradesh becomes all the more important. It is a major movement that can make the state to renege from the complete deviation from its own accepted policy.

This section deals with three aspects of the women's movement against arrack in Andhra Pradesh. First, it examines the factors contributing to the deterioration of the very subsistence conditions and other facilitating factors that could be discerned as immediate circumstances causing the movement. Second, it provides a brief and sketchy description of the movement. And at the end cautions against the possible simplistic interpretation of the movement in terms of drunkenness as the cause and 'disciplining' the male members of the household as the solution.

III

The Movement

The Background

By 1990-91, Andhra Pradesh occupied first rank in the country in arrack consumption with 111 million litres (30 UP) per annum. The other first rank occupied by AP is in terms of the total number of

TABLE 2: EXCISE AND OTHER TAX REVENUES OF AP

(Rs crore)

Year	State Excise	Land Revenue	Stamp Duty and Registration	Sales Tax	Taxes on Vehicles	Others	Total
1979-80	141	32	28	217	49	26	493
	(28.6)	(6.48)	(5.68)	(44.00)	(9.94)	(5.27)	(10)
1980-81	153	33	35	279	53	29	582
	(26.29)	(5.67)	(6.01)	(47.94)	(9.11)	(4.88)	(10)
1981-82	194	34	41	342	58	34	703
	(27.60)	(4.88)	(5 83)	(48.65)	(8.25)	(4.84)	(10)
1982-83	235	26	44	402	64	37	808
	(29 08)	(3.22)	(5.45)	(49.75)	(7.92)	(4.58)	(10)
1983-84	282	14	45	497	80	47	965
	(29.22)	(1.45)	(4.66)	(51.50)	(8.29)	(4.87)	(10)
1984-85	351	18	53	607	93	51	1173
	(29.82)	(1.53)	(4.52)	(51.75)	(7.93)	(4.36)	(10)
1985-86	417	21	69	761	113	58	1439
	(29.98)	(1.46)	(4.79)	(52.88)	(2.85)	(4.07)	(10)
1986-87	448	13	74	803	128	93	1559
	(29.74)	(0.88)	(4.75)	(51.51)	(8.21)	(5.97)	(10)
1987-88	449	16	92	971	143	98	1819
	(27.63)	(0.88)	(5.06)	(53.38)	(7 86)	(5.38)	(10)
1988-89	565	42	107	1107	167	134	2122
	(26.63)	(1.48)	(5.04)	(52.17)	(7.87)	(6.31)	(10)
1989-90	660	33	124	1237	193	137	2384
	(27.65)	(1.38)	(5.20)	(51.89)	(8.08)	(5.75)	(10)

Notes : (i) Rounded off to the nearest crore, (ii) Figures in parentheses are percentages.
Source: Reports of the Comptroller and Auditor General of India.

seats in cinema theatres. In recent years consumption of all kinds of liquor increased steeply. Table 1 shows that the arrack consumption in the state increased from about 54 million litres (30 UP) in 1975-76 to 70 million litres in 1980-81 to 111 million litres in 1990-91. The consumption of IML increased almost five-fold in 80s, from 4.4 million proof litres in 1980-81 to 219 million proof litres in 1989-90. Table 2 shows that though the share of sales tax in the total tax revenue increased from 44 per cent in 1980-81 to 52 per cent in 1989-90 and share of excise duty in the total state tax revenue remained around 28 per cent, the excise duty in absolute terms increased almost five times in 70s from Rs 35 crore in 1971-72 to Rs 153 crore in 1980-81 and by almost six times in 80s to reach Rs 839 crore by 1991-92 (budget estimate). It is worth noting from Table 3 that 70 to 80 per cent of the growing excise was accounted for by the revenue from arrack, the poor people's drink. Thus, the substantial burden of the regressive excise duty was borne by the poor. The number of arrack shops increased from 7,159 in 1969-70 to reach the peak of 22,803 shops in 1987-88 but declined to 16,436 in 1990-91. The decline in the number of shops in no way shows any decline in the arrack demand but reveals the ingenuous innovation in 1986 of arrack being packed in 90 ml and 45 ml polythene sachets, *Varuni Vahini*, a mythological name chosen by none other than the Telugu Desam leader NTR. The introduction of sachets made mockery of the very concept of a 'shop' and the rental in relation to shops. Arrack in sachets started flowing to the door step by peddlers on foot and by bicycle. This innovation afforded the convenience of arrack being carried to any place and broke the association of arrack drinking with arrack shop. From the complaints of women of rural Andhra Pradesh, one could guess the damage it caused through increased drinking with little regard to place and the time of the day or night.

Liquor is one of those commodities that flout all laws of economics. The increasing arrack consumption is accompanied by increasing price of arrack. The present price at which the state issues arrack to the contractor is Rs 10.50 per litre. The 'issue price' includes the cost, excise duty, transport charges, and bottling charges. The price at which the contractor sells to the consumer in sachets of 90 ml and 45 ml or bottles of 180 ml presently works out to Rs 50 to 60 per litre of 30° UP, i e, the difference between the sale price and the 'issue price' works out to Rs 40 to Rs 50 per litre out of which the contractors have to meet the rentals which amount to about two-thirds of the total excise revenue. Of course, if one goes by the official data on arrack sales, it looks as though the contractors do not seem to be big gainers!

For instance let us have a look at the AP official arrack consumption figures in 1990-91:

1	Total arrack consumption	11.12 crore 30° UP litres
2	Sale price at Rs 55 per litre	Rs 611.60 crore
3	'Issue price' at Rs 10.50 per litre	Rs 116.76 crore
4	Gross margin (2-3)	Rs 494.84 crore
5	Less rentals for shops	Rs 454.00 crore
6	Gross profits	Rs 40.84 crore

These figures show a gross profit of Rs 40.84 crore to arrack contractors in 1990-91. If one takes into consideration the maintenance expenses including the 'goonda gangs' the bribes paid regularly to the excise department, the contributions to political parties and other miscellaneous contributions paid out of fear or favour, the contractors appear to be big losers! Everybody knows that the official statistics on arrack is a mockery of truth. Obviously, the consumption of arrack is much higher and this is accounted for by the extensive illicit distilling and packing parallel to the government arrack. And the resulting drain on poor

TABLE 3: EXCISE REVENUE FROM DIFFERENT LIQUORS AND RICE SUBSIDY, ANDHRA PRADESH

(Rs crore)

Year	Country Spirit (Arrack)	Country Fermented Liquor (Toddy)	Malt Liquor (Beer)	Foreign Liquor (IML)	Others	Total Excise Revenue
1971-72	5	17	0.4	2	10.06	35
	(16.24)	(48.57)	(1.14)	(5.71)	(28.74)	(10)
1972-73	6	18	1	2	7	34
	(17.68)	(52.94)	(2.94)	(5.88)	(20.59)	(10)
1973-74	7	19	1	4	13	44
	(15.90)	(43.18)	(2.27)	(9.09)	(29.55)	(10)
1974-75	36	17	1	3	4	58
	(62.07)	(29.31)	(1.72)	(5.17)	(1.72)	(10)
1975-76	53	16	1	4	2	76
	(69.74)	(21.08)	(1.32)	(5.26)	(2.63)	(10)
1976-77	70	16	2	6	3	97
	(72.16)	(16.48)	(2.06)	(6.19)	(3.09)	(10)
1977-78	76	16	2	7	2	103
	(73.79)	(15.53)	(1.94)	(6.80)	(1.94)	(10)
1978-79	91	15	3	9	2	120
	(75.83)	(12.50)	(2.50)	(7.50)	(1.67)	(10)
1979-80	109	15	5	9	3	141
	(77.30)	(10.64)	(3.55)	(6.38)	(2.13)	(10)
1980-81	118	19	5	8	3	153
	(77.12)	(12.42)	(3.27)	(5.23)	(1.96)	(10)
1981-82	151	27	4	10	2	194
	(77.84)	(13.92)	(2.06)	(5.15)	(1.03)	(10)
1982-83	179	17	21	16	2	235
	(76.17)	(7.23)	(8.94)	(6.81)	(0.43)	(10)
1983-84	220	19	10	25	8	282
	(78.01)	(6.74)	(3.55)	(8.87)	(2.86)	(10)
1984-85	265	37	8	25	16	351
	(75.50)	(10.54)	(2.28)	(7.12)	(4.56)	(10)
1985-86	322	30	10	33	22	417
	(77.23)	(7.19)	(2.40)	(7.90)	(5.28)	(10)
1986-87	348	27	30	30	14	448
	(77.68)	(6.03)	(6.70)	(6.70)	(3.13)	(10)
1987-88	410	38	8	28	15	499
	(82.16)	(7.62)	(1.60)	(5.61)	(3.00)	(10)
1988-89	475	36	8	39	7	565
	(84.07)	(6.37)	(1.41)	(6.90)	(1.07)	(10)
1989-90	526	48	8	75	3	660
	(79.69)	(7.27)	(1.21)	(11.36)	(0.45)	(10)
1990-91	556	53	13	102	4	728
	(76.37)	(7.28)	(1.79)	(14.01)	(0.55)	(10)
1991-92	608	48	18	160	8	839
	(72.47)	(5.72)	(2.15)	(14.07)	(0.60)	(10)
1992-93 (BE)						

Notes: (i) Rounded off to the nearest crore, (ii) Figures in parentheses are percentages, (iii) 'Others' include commercial and denatured spirits and wines and toilet preparations containing alcohol.

Source: Reports of the Comptroller and Auditor General of India.

people's income on arrack consumption in AP in 1990-91 could be at least double that of Rs 611 crore of excise duty, i e, Rs 1,200 crore. This, one could believe, is on the low side.

Much of it is hard-earned wage incomes of the entire households of the poor. Most of the drinking in rural areas is arrack and toddy. The proportion of arrack is much more. Most of the arrack drinking is by the poor families most of whom are agricultural labourers. Though women do drink in Telangana region but largely the few women who drink are confined to toddy. Castewise drinking is a social taboo among the forward castes and some groups of the backward classes. Drinking of arrack or toddy by schedule castes does not carry any social stigma. In fact, the women who are protesting against arrack are not faceless poor but mostly scheduled caste women who are the direct sufferers. This caste demarcation is clear in the village struggle committees though there may be some sprinkling of forward caste and women as leaders. One could easily see where the entire burden of excise duty on arrack resides.

In the 80s, the employment situation in AP has been worsening. There has been no substantial increase in wages. The prices of essential commodities like pulses, edible oil, tamarind and chillies have increased by 30 to 50 per cent during the last two years. The subsidised rice scheme, though not properly targeted, did help the poor. One may criticise it as a 'left-handed' charity because the state was taking away with other hand in the form of excise duty on arrack much more from the poor that what is given with the one hand by way of rice subsidy (Table 1). The 'Rs 2 per kg rice programme' in AP was tampered by the Congress(I) government two years ago and the price of rice for green card holders was increased from Rs 2 to 3.50 per kg and the quantity reduced from 20 kg to 16 kg per family per month. These conditions are objective enough to make one perceive arrack as the major cause of ruin of the family life and living conditions of the poor and even the lower middle class.

However, arrack trade and consumption have definite extra-economic dimensions out of which at least two are most important; one is social, i e, the gender specificity of the suffering and the other is political, i e, criminal portends with its ramifications for the political and the civil life of the country. Invariably, it is the man who blows much of the household income on arrack and women of the household who has not only to struggle to provide for the subsistence of the children and the household and also end up at the receiving end of all the abuse and beating that often goes with the drunken male. The other, i e, the political part is the power wielded by the liquor contractors, their criminal activities and political nexus leading not only to loss of respect for political processes but also loss of hope of transformation for the better. It is in this context the demand for arrack ban by the CPI(ML) groups during the last few years in north Telangana districts and the women's movement starting-off in Nellore district acquired a spontaneity and spread all over the state.

The Events

While the post-literacy period in Tamil Nadu and Pondicherry seems to have ironically helped the BJP's newspaper to increase its circulation among the neo-literates, the 'Akshara Jyoti' programme assisted by the state and CPI(M), has a different historical trajectory in Andhra Pradesh, thanks to the radical politicisation of issues related to the women's struggles for survival. In Nellore, Chittoor and elsewhere, the neo-literate women in the villages pledged to fight against the "arrack-demon" in the concluding sessions of the Akshara Jyoti programme. Since then, a new momentum has been unleashed by the women over the last three months. To their credit it can be said that they have converted a women's movement to a people's movement which among other issues of class and state power is equally concerned with women's question.

There is echo of support for the CPI(ML) ban on liquor among the Nellore women who seem to have been empowered by it. Akshara Jyoti programme has also engendered an urge to survive with dignity—the dignity of labour—as also protect the household income against the 'arrack demon' so that their families can survive and they can educate their children. The neo-literate rural women's determination for survival, for dignity of labour and for education of their children has acquired new proportions. A dalit woman of Nellore said, "we will not allow arrack sales in our village even if they shoot all of us women. Better die once than die every day."

The anti-liquor mass movement has not merely raised a women question as being portrayed by the press and a section of the intelligentsia but also targeted its attack on the nexus between the so-called 'people's representatives', police and arrack contractors. When the women are demanding prohibition on arrack for a dignified survival, the people's representatives in the state government are busy in talking about the impending revenue loss in view of the prohibition. When the activists reply that the revenue problem is minimal because revenue can be generated through sales tax, commercial tax, etc and that, in any case, during the post-prohibition period general consumption of commodities is likely to increase in urban and rural areas as well, the Congress government retains its usual degree of quietism. In this sort of arguments, counter-arguments and

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more often the silence of the Congress government, the ongoing people's movement has unfolded its concerns to reform the family structures as well as exposed the class character of the excise policy of the ruling parties, both the Congress and Telugu Desam.

The village committees formed in different villages are invariably led by the women of the poorer dalit households. These committees do not have any representation from the Congress or Telugu Desam. This is true of the most of the village committees, be in the coastal districts or Telangana. In some villages as in Nellore, the upper caste women have only passive support for these committees. In other villages like the ones in Ranga Reddy district no upper caste women are even remotely concerned with the struggle against arrack contractors and police who are protected by the ruling Congress and the opposition Telugu Desam. These committees however receive political aid and moral support from the state-level mass fronts like Jana Vigyan Vedika (aided by the CPI(M)), the Progressive Organisation of Women (aided by a CPI(ML) group), and Andhra Pradesh Dalit Mahasabha. In Nellore district alone where the present mass movement has initially begun, the movement is organised by the Anti-Arrack Co-ordination Committee comprising 36 voluntary organisations. In Chittoor district there are 250 voluntary organisations, active in the village committees comprising mostly women and youth spread in more than 200 villages of the district.

Aided by these voluntary organisations, the village committees led by the women have pressurised their men to usually take oath in the village temples to stop drinking arrack. In case of violation of the pledge, the men would be forced to pay a heavy fine to the temple and the families would be banished from the villages. In some cases the wives have physically prevented their men from visiting arrack shops but are wondering how far could this tactic sustain when they (women) have to go for transplantation very soon.

In the villages after villages, the women squads have discovered three instant instruments of struggle—broom, chilli powder and fire. They counter the threat from police and the drunken males with broomsticks and chilli powder—reminiscent of Fakir Mohan Senapati's powerful short story 'Patent Medicine' and Ketan Mehta's film 'Mirch Masala'. They attack the contractors' dens and set fire to the barrels and sachets. These attempts symbolically aim at purification of their villages by burning the 'arrack demon'. The messages against the ill-effects of arrack on the household economy and against the nexus of police and arrack contractors are spread through graffiti, street plays, rallies, door-to-door campaigns and public meetings in the villages. There is a beautiful graffito which portrays how women are marching forward, breaking arrack bottles and how the contractor and two police men are shell-shocked by this crusading spirit of the women. The women squads also prevent auction sales being organised by the excise department—a strategy initially adopted by the CPI(ML) 'dalams'. In Nellore alone, they have stalled auction sales 36 times. This is true of almost all district auction counters. As a result, many women have been arrested and police have filed false cases against them. More and more such repression is launched, the nexus between bureaucracy, police and arrack contractors is revealed before the agitating women. No wonder, the district collectors engaged in such auction sales are sarcastically labelled as 'Indian arrack sellers' (IAS).

There are villages where women are guarding against sales of the arrack by *en masse* squatting in front of the liquor shops. They have been preventing peddling of sachets by bicycle or foot, often receiving not only rebuke but also beatings. Most of these women are agricultural labourers and many of them are from families where they are the main breadwinners. Their work is seasonal and they are missing the season by keeping watch at the arrack shops. Their wages are too low to expect any possibility of falling back. Their menfolk are used to drinking with the wages earned by the women. So much so in a village in Ranga Reddy district when asked about female wages, a person answered, that it was "one sachet of arrack and Rs 1.50". Indeed that is what he gets when he takes the grain received as wages to the liquor shop! And there are villages in Mahaboobnagar where part of the wages are paid in toddy!

An Interpretation

As the movement against arrack unfolds itself, there are two important dimensions which become apparent. One is the determined bid by the state, particularly the police, the contractors' henchmen and the political parties, to dissipate the movement, and the other is the courage, valour and determination with which women are organising themselves against severe odds at the village level. The police often resort to attack on the agitating women, prevent their meetings by denying permission wherever possible, and provide protection to sell arrack, sometimes resulting in selling of arrack within the police stations. The contractors' goondas have been indulging in abuse and attack on women in villages where they are vulnerable, and attempting to bribe certain sections to clandestinely or openly sell arrack in the vicinity of poorer households. The government or the ruling party has been trying to buy time in the name of gathering public opinion, hoping the delay would dissipate the movement. The only positive effect of the opposition party gimmicks appear to be putting fear of loss of votes and the consequent restraint on violent repression by the government. But the skin-deep commitment of the opposition parties is very well revealed by the total absence of any of their representatives at the village level committees formed by the agitating women.

The women's struggle, on the other hand, took a number of forms of picketing the arrack shops, in some cases confiscation and destruction of the arrack sachets, forming of 'battalions' of women who would keep watch in turns at the arrack shops, keep watch on the male members who are vulnerable to drink and on the arrack 'poachers' who would clandestinely enter the villages with sachets hidden in bags or baskets. There are instances of beating up, torturing and parading of male members who violate the village ban on arrack drinking. Closer at the household level there have been 'broom treatments' behind the closed doors and refusal to serve food for those coming home drunk.

These actions of the organised agitating women are necessary part of the movement and the celebration of their years of suffering and suppression. But any attempt to romanticise these actions may fall short of the objective of the educational process which it is supposed to serve. The suffering of the women, the very state of wife and husband speaking hate, the absence of love and affection within the household, the neglect of children and daily drunken brawls and the destruction of the very family life are adequate social indicators of the degenerating quality of life. It is the reflection of the shambles into which a nascent civil society is reduced and it is very much necessary to see its dialectical relations with the 'political society'. It is not enough if the women realise and agitate against the immediate cause—the arrack—that is responsible for their miseries. It is much more important for them to see that their misery including arrack is perpetrated by the social system which needs to be transformed simultaneously but without deviating from the immediate objective of ban on arrack.

IV
Policy Perspective

The arena of policy relating to liquor is most treacherous. If the history of the anti-liquor movements all the world over is any guide, it would offer one important lesson i e, *there is no one-time universal*

policy. The policy if it were to be responsive to the interests of the people and safeguard people from any adverse manifestations, which there would be, should be based on time-space specificities. One guiding principle is that it should be responsive to people's aspirations and needs. For instance, whether it was the US or Scandinavian countries or China, there has been prohibition or scrapping of prohibition and again reintroduction, but all the while with one objective of reducing, if not eliminating the drink evil and the institutions which go with it. Given the awareness of these aspects, what follows in this section should be seen as a response to the immediate context rather than a once for all prescription.

When it comes to outlining the course of action on the part of the state, with the hindsight of the ingenuousness with which even the constitutional directives have been flouted, there has been a lot of hesitation and even fear. The fear is that in the name of a policy of prohibition there could be unabated bootlegging under the aegis of the very agencies which are supposed to enforce it. These fears become all the more real given the present role played by the liquor and liquor money in the elections. But, with the people's movement and their proper involvement, one hopes for a better enforcement. Keeping this in view, the following suggestions are made.

Prohibition, if it should be successful: (i) should be introduced in phases, (ii) should be backed by public opinion and widespread education including the school, the public media and informal channels, (iii) should involve social workers, public-minded persons, particularly women and voluntary organisations of proven record of good grassroots educational activities, and (iv) should have monitoring committees, particularly at the grassroots level with large women's presence to function as vigilants or watchdog organisations with statutory power for enforcement.

The Tek Chand study team on prohibition (1963) and the Third Five-Year Plan make detailed suggestions regarding phased introduction of prohibition. Prohibition may be introduced in two phases. In the first phase ban arrack, treat arrack in tribal areas differently, reduce the number of IML outlets to the minimum, let toddy be regulated and ban 'matka', 'single number' and other forms of gambling simultaneously. Let us elaborate each of these measures.

Arrack

(a) The sale of arrack should be banned throughout the state and involve large vigilance committees, at all levels, particularly at the village level with at least half the representatives from among women, in the enforcement of the ban. The enforcement should not be left to the police or excise department. (b) As the Third Five-Year Plan suggested in pursuing the programme for prohibition, the customs and traditions of tribal people must be fully respected. The recommendation of the Tek Chand committee needs to be given due consideration: "The adivasis or scheduled tribes with whom drinking is traditional may be allowed to brew such beverages to which they are accustomed for their consumption only". "...a change has to be brought about in their mental approach and social outlook through the more enlightened members of their community, than through persuasive law".

Indian-Made Foreign Liquor (IMFL)

(a) The number of IMFL shops/outlets should be restricted to at least one-fifth of the present number. The shops should not be given to private trade but should be state-owned outlets operating for limited number of days in a week and limited number of hours in a day. (b) In a state like Andhra Pradesh with an annual consumption of three million litres of arrack, one cannot wish away that all arrack drinkers would stop suddenly in response to a ban. Introduce low duty cheaper IMFL which should be sold in limited quantity per person. This is based on Tamil Nadu experience, which may be improved by restricting the sale to only full bottles which would serve as a damper on poorer buyers. This is to wean gradually the hard addicts of arrack in the transition period and to check such persons taking to illicit arrack, which should be stamped out with people's co-operation. (c) The selling and serving of IMFL of more than 5 per cent alcohol content in all public places like hotels, restaurants, bars, etc, and public functions should be banned—a lesson should be learned from Tamil Nadu where prohibition is made a mockery by allowing large number of bars recently. There should be restrictions on location of IMFL shops in the vicinity of public institutions like educational institutions, religious places, state/national highways, etc.

Toddy

Toddy need not be bracketed with arrack and IMFL. In view of the low alcoholic nature of the drink and its entraining the livelihood of millions of toddy tappers, toddy should be treated separately. It may be necessary to take a leaf from the Tek Chand study team's report here; "toddy may be allowed to be served subject to the following safeguards: (i) A ceiling of 5 per cent alcohol in bulk should be fixed; (ii) The production and the sale of toddy should be under government control; (iii) Wherever possible, bottling to guarantee standard, and refrigeration to stabilise alcoholic strength should be provided; (iv) The drink may be consumed only at the place of sale and not be allowed to be taken home; (v) The quantity of toddy that can be served to an individual should be suitably limited and the vendor or barman should be under statutory obligation not to violate this condition; (vi)The price of toddy and the tax element, if unavoidable should be kept as low as possible with a view to dissuade people from drinking the hard product of illicit distillation; (vii) Drinking should be allowed only within regulated hours; (viii) The production and sale of toddy within a radius of five to ten miles of palm gur centres should be stopped; and (ix) There should be an age limit of 21 years below which no consumer may be served the drink.

Illicit Arrack, Drugs, 'Matka', 'Single Number', Etc

Banning of arrack does not automatically guarantee that poor people would switch their expenditure towards other domestic items like food, clothing, children's education, sanitation, etc, that would improve the standard of living of the entire household. Several studies have revealed that a mere ban on arrack would not bring about the desired results if it is not accompanied by a similar ban and strict enforcement of laws relating to illicit liquor, matka, single number game, drugs, etc, towards which the poorer households are highly vulnerable.

The second phase should be one of continued campaign with all the sources of mass media against the adverse effects of not only alcohol but all kinds of drugs and narcotics. This phase should be based on the experience gained during the first phase, with adequate flexibility towards elimination of the possible distortions and deviations. Strengthening of education, public opinion and grassroots institutions against consumption of liquor should play a major role. It is essential to keep adequate room for debate and constant review. The room for discussion, critical and continuous evaluation and modification. Only thus the country can gear up to face much graver problem that is looming large at the horizon, viz, the 'drugs'.

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Changes in Land Distribution in an Agrarian Economy

Measurement of Household Mobility

Madhura Swaminathan

IN the research on patterns of transformation of agrarian society in developing countries, an important question relates to the nature of household economic mobility, in particular, the economic mobility of households in terms of the extent of ownership of land, and its implications for inequality in the distribution of land. Papers on this theme that are based on empirical evidence from south Asia include Attwood (1979), Cain (1981) and Harriss (1985), and, most recently, a paper by Sakti Padhi and K N Nair in this journal (*EPW*, March 20-27). This note discusses a methodological problem that is common to these papers.

Mead Cain's (1981) study is based on data from three villages in the semi-arid regions of south and central India (two in Maharashtra and one in Andhra Pradesh) and one village in Bangladesh. I shall comment here only on the evidence relating to India and on the sections that deal with changes in land distribution and household mobility. (The main theme of the paper is the relation between fertility and environmental and social risks.) Data were collected in 1980 from 119 households in the three villages; these households were stratified for purposes of sampling into four groups on the basis of operational holdings of land. Information was collected, first, on the land owned by a household at the time of survey, that is, in 1980; secondly, on the extent of land owned by a household 'at inheritance'; and, thirdly, on land transactions in the interim. In the case of landless households, the initial point in time ('at inheritance') refers to the time at which the household came into independent existence. Changes in the distribution of land and household economic mobility in terms of ownership of land were then measured between the time of inheritance and date of survey.

As the period 'at inheritance' does not refer to the same point in time for all the households but rather to different points of time for different households, it is not meaningful to create a distribution of landholdings 'at inheritance'. Cain constructs Lorenz curves for the distribution of land owned by households 'at inheritance' (an aggregation of the landholdings of households at many different points in time) and for the distribution of landholdings in 1980 and uses them to monitor changes in inequality in landholdings over time. He then goes on to construct a mobility matrix for the period 'at inheritance' to 1980. Since the initial reference period is not the same for all households, it makes little sense to aggregate them (as is necessary for the construction of a matrix) and compares economic mobility across households over time. (Note that the creation of a matrix implies that the economic mobility of a household is being considered in relation to the economic mobility of other households and not just its own past position.)

Let me give an example. Suppose I surveyed households in a village in March 1993 and asked each household for information on the extent of land it currently owned as well as on the land held by the household at the time it inherited land (or at the time it became a separate household). Assume that, from the households surveyed, the range of dates representing the point 'at inheritance' stretched from January 1950 to January 1990. If I then followed the Mead Cain methodology, I would add up the landholdings 'at inheritance' of each household, present them as a single statistical distribution of landholdings 'at inheritance' (despite the fact that 'at inheritance' represents dates separated by 40 years) and compare this distribution with the actual distribution of landholdings in March 1993. Note that if the year of inheritance is common to all households, then a distribution of landholdings 'at inheritance' would be appropriate.

For a study on the impact of new agricultural technologies on village economies John Harriss collected data on landholdings and land transactions from five villages in Tamil Nadu [Harriss 1985]. This note only deals with sections of his paper that discuss mobility in landholdings over time. Harriss' concept of mobility is similar to that used by Cain: it is based on changes experienced by households from the time of inheritance to the time of survey in 1984. To measure mobility, Harriss also presents matrices of change in landownership between the 'time of inheritance' and 1984. It is not clear at all how these matrices are to be interpreted, since they are based on an aggregation of households that inherited land at different times. (Note that the criticism here is not of Cain's or Harriss's concept of mobility but of the method adopted for measuring mobility.)

Sakti Padhi and K N Nair in their paper 'Dynamics of Land Distribution' attempt to present, in their words, an 'alternative approach' to the study of changes in land distribution. Their method is similar to Cain (1981). They write, "the major purpose and point of departure of the present study is thus to provide a general methodological critique of the conventional approach to the study of changes in land distribution and the inferences drawn, assertions made and speculations attempted" (p A-29). Padhi and Nair use data from a Land Utilisation Survey that covered 27 villages in Kerala, conducted in 1987. Information on the year in which a household came into independent existence (in terms of operating land) and the land transactions between that year and the time of survey is used to reconstruct landholdings for what they term the 'point of origin'. Padhi and Nair recognise that the 'point of origin' is in fact not a unique time period because "different households in the sample... originated at different points in time" (p A-31). Despite this recognition, they construct a decilewise distribution of landholdings at the "point of origin/1970" and use it to investigate changes in inequality. (For households which came into existence prior to 1970, the year 1970 was taken as the 'point of origin' since data on land transactions were not available for earlier years.) "In order to get at the distributional change for the *same* households over time, we have estimated the change in decile shares between point of origin/1970 and 1987 for an unchanging household distribution" (p A-33, italics in original). (I read this, of course, to mean an unchanging set of households.) Next, to examine the nature of household economic mobility with respect to the ownership of land, they construct a "two-way percentage distribution of sample households, by size-class of operated area at point of origin/1970 and size class of operated area in 1987" (ibid). As I have tried to make clear, constructing a mobility table in which the rows are based on an aggregation of land held by households in different years (Table 5, p A-33) is not meaningful.

D W Attwood's (1979) study of change in a village in Maharashtra is even more

problematic since it attempts to compare the current distribution of landholdings in a village with a distribution of landholdings of the 'same' households two *generations* ago. Households were interviewed in 1970 on their current landholdings and male respondents asked to recall the extent of land held by their fathers and grandfathers. From this, the land held by a household in '1920' was reconstructed. The term '1920' is used by Attwood to refer to the "decade before the depression of the 1930s". As in the other examples, the distribution of land in '1920' is based on an aggregation of landholdings in different years.

There are other serious problems with Attwood's study. One of these is the selection of a multi-generational family as the unit of study. (Some of the problems associated with a multi-generational household are, in fact, discussed by Padhi and Nair.) Attwood restricts the definition of a family to a single line of descent, tracing it back from the household interviewed in 1970. He does not take account of land partitioned among collaterals in any of the generations. The comparison of land held by a 'household' in '1920' and in 1970 is based on changes reported by a single branch of the family. If it were the case that two brothers, who formed separate households, were interviewed in the course of the survey, there would have been a double counting of the common land owned by their ancestors. In addition, data based on inter-generational recall are likely to be subject to substantial error. Memory lapses were noted to be particularly serious among respondents from currently landless households who recalled that their ancestors owned land 50 years ago. Attwood simply assumed that their fathers or grandfathers belonged to the category of 'small and medium' landowners.

Information on intra-generational changes in landownership is, without doubt, of much interest and value to students of economic mobility and rural change (as indeed, Cain's and Harriss's work also shows). Such data can be used to ask, for example, the following questions: How many households lost the land that they inherited? How many households that inherited some land became landless? How many household acquired land since they came into independent existence? Did any households that were landless at the time of their information acquire land later? Are the proportion of land-losers greater than the proportion of land-gainers? What proportion of households owned the same amount of land that they inherited? To take some examples from Cain's paper, Cain found that the majority of households in his survey (55 per cent) experienced a change in the extent of land owned between the time of inheritance and 1980. He also found that 37 per cent of households in his survey acquired land and added to their inheritance.

An interesting example of how data on intra-generational changes in landownership can be examined is in Bhaduri, Rahman and Arn (1986). Using data from four Bangladesh villages, they investigated the economic mobility of households in terms of intra-generational changes in the extent of land that the households owned by creating an index of the ratio of current landownership to inherited landownership for each surveyed household. They then classified households by the degree of relative stability in landholdings.

There are three widely used methods of collecting data for studies of economic mobility that describe or characterise a given group of individuals or households at successive points in time [Atkinson 1980]. First, a longitudinal study can be undertaken in which households are surveyed in one year and resurveyed after a period, say, 25 years. (Atkinson refers to this type of data as data collected on a prospective basis.) Secondly, data collected in a previous survey can be used to identify a household or person for resurvey. Thirdly, retrospective data can be collected from a household about an earlier year, for example, the occupation of (or land owned by) a respondent at age 20 or 'ten years ago'. (Data on land inherited by a household are also retrospective data but they may not refer to the same year for all households surveyed.) The purpose of this note is to show that more care is needed in the selection of methods of analysis and interpretation of data that are based on recall and do not refer to a unique time period. It is not meaningful to use methods of analysis applicable to panel data (for given households in specific years) to data that relate to different years for different households.

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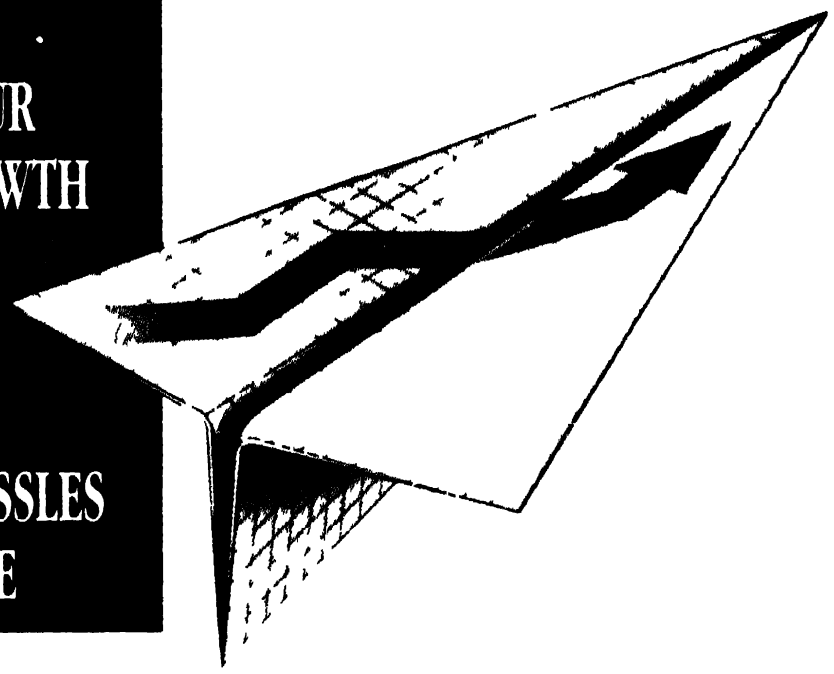
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End of Alternatives?

The fundamental aspect of the transition that human society has been going through in the last few years is the end of alternatives - not just the erosion of alternative centres of power and systems of development and governance (the collapse of the socialist and the third world poles) but, though partly related to that, erosion of ideological perspectives, frameworks of knowledge and modes of consciousness **1100**

Industry in the Eighties

The decade of the eighties was a most interesting period in the history of Indian manufacturing industry. During this period industry broke loose of the state of stagnancy that had persisted for much of the previous two decades. This growth episode was, however, terminated abruptly at the end of the decade when the government was forced to resort to a programme of demand contraction and import compression to tackle a balance of payments crisis of unprecedented magnitude. An exploration of the inter-linkages between industrial growth in the eighties and elements that impinged on it such as demand, productivity, costs and prices, investment, employment, structural change and the balance of commodity trade **M-54**

VAT in a Federal Economy

For all its merits, introduction of value added tax in a country with a federal structure is fraught with difficulties. A model for moving towards VAT in a large federal economy such as India **1108**

Panchayats and Power

Despite the apparent success of panchayati raj in West Bengal, the overall domination of the privileged classes over the rural power structure remains unchallenged. **1080**

Privatisation

Does the government have a 'privatisation policy'? If so, what is it? **M-71**

Subaltern History

The practice of subaltern history must aim to take history to its limits in order to make its unworking visible **1094**

Make vs Buy

In what ways do the new microelectronics-based or computerised production technologies affect the 'make/buy' or production subcontracting policies of firms? **M-63**

Many Kalahandis

While Kalahandi has become synonymous with drought, starvation and poverty, many other drought prone areas in Orissa and the adjoining states suffer from the same pattern of mass distress which is rooted in distorted development perspectives **1084**

Unpatentable

The attempt by the National Institute of Health in the US to patent partial cDNA sequences corresponding to gene fragments in human brain tissue has raised the issue of patentability of human interventions in naturally occurring substances **1089**

Rural Markets

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'Burden' of PSEs

Has the deficit of public sector enterprises been rising and has the financial burden of the PSEs on the government budget been increasing? **1121**

Tax-Sharing

IN my article 'Towards an Alternative System of Tax Sharing in India' (*EPW*, March 20-27) it was suggested that the states' share in central taxes should be fixed as a percentage of the total gross tax revenue of the centre composed of income tax inclusive of penalties and interest, corporation tax, customs and union excise duties, additional excise duties in lieu of sales tax and taxes levied under Articles 268 and 269 of the Constitution and that this percentage should be 33.33 per cent of the centre's total gross tax revenue computed on this basis as against the present share of states in the divisible pool of taxes, which works out to around 25 per cent of the gross tax revenue composed of income tax, corporation tax, customs duty and union excise duties and additional excise duties in lieu of sales tax. The working for arriving at the above percentage is indicated below:

		Base Year 1990-91 (Rs Crore)
I	Centre's tax revenue	
	(1) Union excise duties (sharable) inclusive of earmarked cesses on various commodities (not sharable)	24,514
	(2) Customs duties	20,644
	(3) Corporation tax	5,335
	(4) Income tax	5,371
	(5) Wealth tax	231
	(6) Expenditure tax	82
	(7) Other taxes and duties	1,399
	Total	57,576
II	Article 268	
	(a) Stamp duties	2,087
	(b) Duties on medicinal, alcoholic and toilet preparations	40
III	Article 269	
	Central sales tax	3,105
IV	Interest and penalties in the case of income tax (estimate)	200
V	Yield from pre-emptive purchase of properties in metropolitan cities (estimate)	100
	Total	63,108

Currently the share in central taxes accruing to the states is as follows:

	1990-91 (Rs Crore)
(1) Devolution	14,535 (or 25.24 per cent of Rs 57,576 crore)
(2) Central sales tax	3,105
(3) Stamp duty	2,087
(4) Tax on alcoholic, medicinal preparation	40
Total	19,767 (or 31.32 per cent of Rs 63,108 crore)

It may thus be seen that 33.33 per cent of centre's gross tax revenue recommended in the paper is higher than the share currently accruing to the states. Besides a share of one-third to the states and two-thirds to the centre will represent a good balance in sharing of tax revenue between the centre and the states. As already stated, taxes and duties listed under Articles 268 and 269 are either grossly underexploited or not exploited at all while items like interest and penalties and yield from pre-emptive purchase of properties in the case of income tax are not even added to the divisible pool. As explained in the paper, the proposed model could possibly lead to much higher buoyancy of several taxes and duties which now remain 'sleeping beauties'.

S GURUMURTHI

Madras

Selective Amnesia

CHRISTOPHE JAFFRELOT's 'asceptic' approach to history 'Hindu Nationalism: Strategic Syncretism in Ideology Building' (*EPW*, March 20-27) brings into sharp focus the crisis that has overtaken the intellectuals who had been dominating the Indian scene for almost a century. Jaffrelot has marshalled literature to argue that Ram Mohun Roy and Swami Dayanand had attempted to 'invent a golden age' or 'invent a tradition' to counter the threat posed by Christian missionaries. This invention or discovery, according to him, was a myth which was used to provide respectability to Hinduism. He also discusses the formation of the Hindu Sabha and Hindu Mahasabha as movements to 'confront militant Islam', which led to 'political crystallisation of Hindu nationalism'.

It is not intended here to enter into detailed discussion on the content or the presentation of Jaffrelot's paper. Instead, attention is drawn to the glaring omission of a number of important facts concerning the argument. The Bible was closely associated with the British flag. Earlier, Christianity thrived when the Portuguese conquered Goa. A quarter of the population was converted to Islam following the Muslim conquest of India. Incidentally, why is it that the entire population was not converted, as happened in the case of Iran? Why did not the Hindus 'invent tradition' when they came in contact with Christianity, Islam and Judaism in the early centuries of the Christian era? Finally, coming back to the role of the Hindu Mahasabha, the author omits the fact that it got virtually no seat and only a tiny fraction of votes in the elections held prior to independence, when the Hindus voted overwhelmingly for the Indian National Congress, while the choice of the Muslims was mostly the Muslim League.

Could it be that such selective amnesia among the dominant intellectuals of India has led to the revival of 'Hindutva' and the 'Hindu Rashtra' movement which has plunged the country in the Ram Janmabhoomi-Babri Masjid crisis?

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Dog Days

THE thunderstorm all of a sudden lashing Amethi has provided the alibi for postponing the scheduled session of the All-India Congress Committee. The real reason for the postponement must however be the tidings conveyed by the parliamentary and state assembly by-election results. The Jullundur swallow has been unable to make for a Congress(I) summer. From everywhere else in the country, the results are uniformly disappointing. In Gujarat, the Bharatiya Janata Party has without question relegated the prime minister's party to the second position. In the single by-election held in Karnataka too, while the BJP could not win, it has at least succeeded in breathing down the neck of the Congress(I). If credence is to be given to reports received from diverse sources, the Congress(I), fighting a lonely battle against both the DMK and the AIADMK in adversarial roles, had little chance of success in the Lok Sabha by-polls for the Palani constituency in Tamil Nadu; the prospects were hardly better in Ottapalam in Kerala. By postponing these two by-elections for altogether specious reasons, the Chief Election Commissioner has saved the Congress(I) from extreme discomfiture. No such escape hatch was however available in Andhra Pradesh; the party lost both the assembly by-elections in that state to the Telugu Desam Party by sizeable margins. No respite waited for it in Bihar either. Laloo Prasad Yadav has seen to it that not only the Janata Dal victor decimated the BJP in the by-election for the Patna Lok Sabha seat by a margin of more than one-and-a-half lakh; he satisfied himself additionally by seeing to it that the Congress(I) candidate came a very poor third.

These results—to which one should now add the message underlying the outcome of the panchayat elections in West Bengal—in the overall constitute a major disaster story for the Congress(I). The south seems to be caving in, and, in case the kind of coalition of Muslims, backward classes and scheduled castes Laloo Prasad Yadav has been able to cement in Bihar were to be repeated in Uttar Pradesh and elsewhere, the Congress(I) might cease to be even the second most important party in Aryavarta. By raising the demand that the party must apologise to the Muslim community for the demolition act at Ayodhya, Arjun Singh might be, up to a point, grinding his private axe; the sentiments are nonetheless widespread inside the party that tomorrow might not necessarily be another day unless a drastic reappraisal takes place in its general strategy and tactics, and that faith in the inertia of the system would no longer effect a rescue act. The thunderstorm at Amethi must have therefore come as a godsend to the prime minister and his close supporters.

The by-election results must have provided some extra food for thought to the BJP as well. Its assumption of the inevitability of capturing power at the centre if only the general elections were hurried suddenly looks much less realistic than it did in the aftermath of the Ayodhya frenzy. True, it is close to making a breakthrough in Karnataka; in the rest of the south though it has a very long way to go before it could cease to belong to the also-ran category. Along with its ally, the Shiv Sena, it might succeed in getting a sizeable number of seats in Maharashtra should a general election be forthcoming; a clear-cut victory for it in that state still looks unlikely. One may, for the sake of argument, go along with the suggestion that, if present trends persist, it should do extremely well in Gujarat, Rajasthan and Madhya Pradesh. In contrast, in the case of that most crucial state with 85 seats in the Lok Sabha, Uttar Pradesh, the prognosis can scarcely be cheerful. For, were the Janata Dal to succeed in working out a measure of an electoral arrangement resembling the Bihar coalition of castes and communities, and Mulayam Singh Yadav persuaded to endorse the arrangement, the poll outcome in the country's most populous state is more likely than not to be a toss-up. In case Choudhury Charan Singh's son chose to move in with the Congress(I), the 85 Lok Sabha seats might in that event be split about evenly three-ways. That would leave the Bharatiya Janata Party a very considerable distance away from the realisation of the dream of enjoying a plurality in the Lok Sabha.

The May by-elections could thus herald a change in mood among the political parties. The BJP might not continue to be as strident in its demand for an immediate general election as it was during the past few months. At the other end, the Janata Dal-Left Front combine need not be as hyper-apprehensive about the outcome of a snap poll as it has been till now. Whether such a general election will actually eventuate will therefore largely depend upon the manner the inner tensions work themselves out within the Congress(I) party. One conceivable reaction to the setback in the by-elections would be to close ranks and try to postpone the evil day of a general election as long as possible. Those in the party, who have meanwhile convinced themselves that the longer the present leadership remains in charge, the greater is the certainty of hastening the party's doomsday, might be itching to force a showdown. If push comes to shove, they need not be greatly averse to effecting a vertical split in the party, which would make seeking a fresh mandate from the electorate inevitable. If, against this background, the Americans were to make up their mind to indulge in some not-so-gentle arm-twisting over Kashmir, things would become even more complicated. Whatever direction the political developments take, it is a fair guess that the much-vaunted economic reforms would, in such circumstances, have to ride on a roller-coaster. And that could contribute further to the Congress(I)'s woes.

STOCK MARKETS

Dancing to Speculators' Tune

THE Bombay Stock Exchange (BSE) authorities have permitted short sales without delivery being effected in all the 94 scrips of the so-called 'specified' group, though with a daily margin of 30 per cent and carryforward sales restricted to Rs 50 lakh in a single scrip and Rs 3 crore in all scrips together. This has been done ostensibly "in view of the steady trend in share prices in the last few days". The stock market is yet to recover from the upheaval caused by the bank-cum-stock market scam. Brokers are obviously anxious to boost market activity which has taken a beating in the wake of the scandal. The average daily turnover of the BSE which had touched Rs 317.01 crore in April 1992 dipped to Rs 71.74 crore in December 1992; since then it has improved to Rs 170.70 crore in April 1993. The government is also apparently playing the bears against the bulls, to ensure that share prices remain attractive to foreign financial institutions. The central budget for 1993-94 did not, quite rightly, provide any large and direct incentives for the corporate sector and the capital market, but the government could not resist the pressure when equity prices in the secondary market slumped continuously and had to come up with some additional incentives for saving: an increase in the exemption limit for income-tax purposes and a higher limit for saving in specified media, raised from Rs 7,000 to Rs 10,000, for tax rebate purposes. This helped to perk up sentiment in the share market and the BSE sensitive index (1978-79 = 100) moved up from 2,037 on April 26 to 2,358 on May 21. The permission granted for short sale has encouraged bears to pull down prices, with the BSE index steadily declining to lower levels thereafter. Rampant speculation, it is reported, has resurfaced in the stock exchanges as a result of a number of companies entering the market to bolster up their own share prices in an attempt to counter the manipulations of bear operators.

The BSE authorities' action raises the basic question whether organised speculation is at all necessary for the healthy development of the capital market. The question was posed and answered some years back by the G S Patel Committee on Stock Exchange Reforms. The committee had underscored that in the Bombay stock exchange only about 8 per cent of all share transactions represented purchases and sales of securities by investors; the rest were forward or speculative transactions. This was so despite the fact that forward trading had been officially banned as far back as in 1969. Subsequently the authorities themselves brought in forward trading by the backdoor in the guise of the 14-day delivery and carryforward system, under which transactions are allowed to be carried forward almost in perpetuity through renewal of contracts and payment of contango ('badla') charges or, in rare cases, backwardation charges ('undho' or 'ulta badla'). In April 1993, out of a total turnover of Rs 2,048.35 crore, Rs 1,597.10 crore or 78 per cent was in the 94 'specified' scrips, the bulk of it speculative. The Patel Committee accurately labelled such transactions as 'gambling in differences', with no intention to take delivery of the shares purchased and to give delivery of those sold. Such carryforward deals are restricted to the 94 'A' group scrips and so the argument that they help to create liquidity in individual scrips is without much basis. They do not serve the objective of continuous price formation in a majority of the scrips. Despite all the molly-coddling by the government, or rather because of it, the share markets serve primarily the interests of speculators from among share brokers and operators from the corporate world. Such a closed-door arrangement encourages a number of malpractices including, to quote the Patel Committee, "extensive insider trading, manipulation of markets, evasion of taxes, generation and proliferation of black money and, above all, frequent crises and growing instability of the markets". The government and the stock market community never tire of claiming that there has now emerged in the country a 25 million strong shareholding public with a strong investment consciousness. If that be so, there is that much less need for a class of speculators to provide liquidity and marketability for individual scrips. The time is therefore just right to effect reform of the stock exchanges on the lines recommended by the Patel Committee.

Against this background, the reported decision of the Securities and Exchange Board of India (SEBI) to consider replacing the present 14-day settlement by a system of options and futures calls for a second look. The objective, it would seem, is more to provide a so-called level playing-field for bulls and bears than to curb the speculative urges on both sides.

IMMUNISATION

Blinkered Approach

THE government of India's high profile universal immunisation programme was launched in 1985-86 with the objective of immunising 85 per cent of infants against diseases preventable with vaccines, that is, tuberculosis, measles, diphtheria, whooping cough, tetanus and polio. Programmes were prepared to reduce neonatal tetanus mortality to less than 1 per 1,000 and the polio incidence rate to 0.33 per 1,000 children in the age-group zero to four years. The programme also covered pregnant women with the objective of preventing maternal and neonatal deaths due to tetanus. At that time and subsequently was criticised as being narrowly technical which was likely to fail in the absence of a comprehensive approach to disease eradication.

The Comptroller and Auditor General's review of the programme now shows that while the programme has not entirely failed, there are major lapses which will make even the limited objective of eradicating immunisable diseases, leave alone the others, difficult to achieve. And these problems are precisely the kind which occur in the absence of a broad-based approach to preventive, promotive and curative health.

The report finds that only eight states have fully achieved the target under all the vaccines, and in seven states the achievement under one or all vaccines has been 90 to 99 per cent. Four states, including Bihar, have not achieved even 60 per cent coverage. In the case of pregnant women, the report finds that only six states have achieved the target of 100 per cent immunisation, while five states have not been able to achieve even 60 per cent coverage.

By way of explaining the shortfall the ministry has pointed out the vastness of the programme: that it covers 23 million children who have to be contacted four to five times and 25 million pregnant women. Certainly it is true that the UIP in India is perhaps the largest such programme anywhere in the world. That is all the more reason, however, to ask what the limits of such a programme are in the absence of a good, efficient health infrastructure and a holistic health programme. This is especially important in the context of the new policies which will further enhance the trend to invest in high profile programmes which are supposed to yield visible quantitative returns.

The most telling comment on the limitedness of the technical approach is the report's comment on the reliability of the data. In state after state the CAG has found that reported achievements were far in excess of actual performance when results were cross-checked against records of vaccine consumption. In Karnataka, among the more progressive states in health care, the total quantity of vaccines used during a month/year was less than the quantity of vaccine required for the total immunisation reported in 15 PHCs which were checked. Even in Kerala with its positive health indices, the total number of vaccinations under DPT, OPV and TT exceeded the quantity of vaccines used by as much as 43 per cent in some cases. In Punjab, performance reports in 52 sub-centres were inflated by 9 to 160 per cent. A state core team review in Uttar Pradesh showed that while a 69 per cent achievement had been reported in all districts for all vaccines, only two districts had achieved this performance.

The most telling comment on the programme comes from the report's findings

of serious lapses in aspects such as surveillance, monitoring of preventable disease occurrence and training of staff and information and communication activity. Many states had not even identified surveillance centres and in others they had not started functioning. In 14 states, including Andhra Pradesh, Assam, West Bengal, UP and Bihar, there had been no survey review of infant mortality and morbidity due to these vaccine preventable diseases. Further, in some states, even when polio was reported from the area under immunisation coverage, there had been no investigation.

Training of workers and communication are two aspects which strengthen the quality of the programme and which ensure that the activity of immunising children and pregnant women does not become an end in itself. The programme could also be used as an opportunity for health education. It is precisely these aspects which have been grossly neglected. The report finds that few of the PHCs maintain records on training, which would indicate that this is among the neglected aspects. Targets without supportive programmes of education can have disastrous effects on the entire preventive and promotive programme.

CONGRESS

Convenient Morality

HUMAN resources development minister Arjun Singh is an innovative tactician. He knows well how to embarrass his double leader—as prime minister and party president—without breaking any formal rules. After the setback he suffered in his well orchestrated Surajkund AICC adventure over the demand for P V Narasimha Rao's relinquishment of one of his dual posts, he has this time come out with the suggestion that the Congress(I) should own up its moral responsibility and apologise for its failure to prevent the demolition of the Babri Masjid. The demand has certainly much to recommend itself. However, it raises not a few relevant questions as well.

First of all, why has it taken Arjun Singh about half a year to raise this sensible demand? There was never any doubt about the fact that the union government's conduct *vis-a-vis* the mosque demolition objectively amounted to colluding with the Sangh parivar's criminal actions at Ayodhya.

Secondly, why has Arjun Singh picked the Babri Masjid affair only? Do not the Rao government and the Congress party owe apologies for some other similar criminal failures? For instance, the failure to curb the Shiv Sena bloodbath in Bombay? As also for the failure to book the self-protessed perpetrators of the murders and mayhem?

More pertinently, does this moral responsibility begin with the Narasimha Rao regime specifically to suit Arjun Singh's sparring for his own personal and factional advantage? In other words, would he care to extend his moral-ethical posture to the late Rajiv Gandhi's time? To demand the regime's and the party's apologies for their failure to protect the lives and properties of innocent Sikh people in New Delhi from murderous Congress(I) gangs? Is he prepared to stand up to the *ancien regime*'s 'loyalists' in the party and carry forward—indeed backward in time—his moral-ethical crusade in the party circles? If indeed he would do so, he would come out as a knight in shining armour. Otherwise, he would be regarded as a charlatan in a moralist's cloak.

HINDUTVA

Deja vu

A correspondent writes:

THOSE who are drawing parallels between what is happening in India today with the rise of Nazism in Germany are too often accused of being simplistic or Euro-centric. But hair-splitting quibbles over the exact definition of the Sangh parivar's strategy and tactics belong to the safe area of academic and semetic discourse for future historians. Right now in our country, people with a sense of history suffer from an eerie feeling of *deja vu* when they listen to the BJP leaders, and they cannot but remember with fear the rhetoric that accompanied the rise of Nazism.

Take for instance the recent statement of the former UP chief minister and senior BJP leader Kalyan Singh at a meeting in Patna where he advocated the creation of an 'Akhand Bharat' by annexing ("re-integrating", in his words) Pakistan and Bangladesh to India. The ideological roots of this assertion are embedded in the philosophy of his leader, Guru Golwalkar of the RSS, who in his *Bunch of Thoughts* propounded his organisation's expansionist designs by claiming Afghanistan, Iran, Burma and Sri Lanka as a part of 'Akhand Bharat'. This is how Hitler started—by laying claim to adjoining territories—and drew his country into an apocalyptic adventure.

The parallels do not end here. Another member of the Sangh parivar, Bal Thackeray of the Shiv Sena, when faced with the complaint that Indian Muslims were beginning to feel like Jews in Nazi Germany, retorted: "Have they behaved like the Jews in Nazi Germany? If so, there is nothing wrong if they are treated as Jews were in Germany" (in his interview with the *Time* magazine, January 25). Thackeray's unabashed defence of his emulation of Nazi methods to solve the 'Muslim question' in India again has its roots in the philosophy of Guru Golwalkar. Writing in 1939, during the height of Nazi terror, he was all praise for Germany for keeping up the "purity of the race and its culture" by "purging the country of the semetic races—the Jews". He followed this up with the observation: "Germany has also shown how well nigh impossible it is for races and cultures, having differences going to the root, to be assimilated into one united whole, a good lesson for us in Hindustan to learn and profit by." Hitler's gas chambers were needed to preserve the purity of his 'race and culture'. His Hindu followers, in order to 'purge the country of Muslims' have to organise massacres in Bombay, Surat and other parts of the country.

The parallel can be extended to the role of the state too. Just as in the late 1920s, the German state allowed itself to be bamboozled by Hitler into conceding his demands, the present Indian government is at times a silent spectator of—and quite often, an active accomplice in—the massacre of members of the minority communities by the Sangh parivar.

Terms like 'fascism' or 'Nazism' may not have indigenous equivalents in our vocabulary. But that does not mean that the behaviour pattern implied by those terms is alien to certain sections of Indians. By adopting the brutal tactics from the Nazi past, and soldering them to a Khomeini-type ideology of religious divisiveness and aggressive intolerance of dissent of the present times, Hindutva is becoming the Indian version of Nazism.

HUMAN RIGHTS

Indonesian Way?

WHILE a bill on human rights is on the parliamentary anvil and the powers that be along with their international patrons have been engaged, with a lot of fanfare, in 'promoting' human rights in the country, the actual developments at the ground level are revealing more and more blatant violations of these precious rights. One does not have in mind merely the cases in the Kashmir valley or the state of Punjab, about which there is no hide-and-seek in any quarters. The present piece has its focus on the Punjab police's recent exploit in Calcutta.

A plain-clothes commando unit of the Punjab police some days ago raided a slummy hutment in a sleepy area in east Calcutta in the early dawn and riddled a Sikh couple with bullets, before escaping with their bodies in a car without a trace or a trail. Some Calcutta newspapers lauded this 'exploit' as evidence of the high efficiency of the Punjab police outfit and the corresponding inefficiency of the West Bengal police. Initially, the Punjab police itself acknowledged the action and claimed the 'credit' it supposedly merited. The union home ministry, however, with a better understanding of the implications of this action, revealed some uneasiness. The West Bengal Left Front government also was muted in its reactions and recorded some mild protest against the encroach-

ment of its jurisdictional preserve by the Punjab police without its knowledge and approval.

More recently, however, the champions of such derring-do are having second thoughts. Though the Punjab police, says *The Telegraph*'s Chandigarh correspondent, "are behind the May 17 killing of the Sikh couple in Calcutta, they will not admit it because an FIR has been lodged by the Calcutta police". "The men involved", he continues, "will be charged with murder", particularly as a woman against whom the police had no charges at all has also been wantonly gunned down. The Left Front government and some of its admirers are annoyed, it seems, more because of the Punjab police's violation of West Bengal's jurisdiction. They are yet to condemn the illegal and brutal murders.

This is no isolated case. *The Telegraph* report adds: "The union and state home ministries are flooded with complaints from many states besides West Bengal, including Gujarat, Himachal Pradesh, Jammu and Kashmir and Uttar Pradesh against the high-handedness of the Punjab police."

It is a pity that even human rights organisations have not reacted to this atrocious event as strongly and as widely as they should have. This failure may pave the path for India's going the Brazilian or Indonesian way, where the police in mufti regularly undertakes the liquidation of people whose colour of the eye or shape of the nose they may not fancy.

POLITICS

Just Deserts

GIVEN the Congress tradition, Narasimha Rao and his cohorts should now shift the venue of their aborted AICC session to Tirupati or some such pilgrimage centre. A display of penitence and propitiation of Hindu deities may be on the cards with the 'secular' ruling party keen to overcome both the natural disaster that reduced its proposed extravaganza in Amethi to a fiasco, and the man-made disaster that spelt ruin for its candidates at the recent by-elections.

Gandhi blamed human sins for the Bihar earthquake. His followers who may be looking for sins to explain the Amethi squall, need not go far in their search. The misdeeds committed by the Congress leaders constitute a rich corpus of what can be regarded as sins by any religious standards. The moot question is whether the Congress leaders are prepared to acknowledge as a sin—even by their own heavily Hindutva-oriented standards—their action in making the UP administration take away the farmland of 500-odd families of Amethi and nearby villages to construct the fancy township for the AICC session there. The affected farmers do not know whether their land buried under the slushy debris of the huge pandal can be salvaged for ploughing again. They do not know also whether they will be able to identify their old individual plots, all of which have been ironed down beyond recognition into one vast stretch of asphalt roads and a flattened space for the 'tamasha' of the Congress leaders.

People in other parts of India too chose to punish the Congress sinners. If the recent by-election results are any indication, the popularity of the Congress appears to have taken a nose-dive in some of the major states like Gujarat, Bihar and Andhra Pradesh. While in Gujarat, out of the six constituencies it has lost to the BJP in four, in Andhra Pradesh in both the constituencies where elections were held, the Telugu Desam won. In Bihar, the Congress candidate for the prestigious Patna Lok Sabha seat lost his security deposit.

It is not as if the political parties which defeated the Congress in these elections are any better than the Congress. While the BJP has established its notoriety as a murderous force, both the Telugu Desam and the Janata Dal have managed to emulate the Congress in skulduggery. But the popular verdict in favour of these parties suggests the complex psyche of the voters who in some areas may be swayed by the appeal of 'Hindutva', and in some other areas by a pure hostility towards the Congress which during the last crucial months has made a mess of everything—whether the Ayodhya tangle, the charges of corruption against a Supreme Court judge or Kashmir.

Those among the Congress leaders who are trying to salvage the party's image present a pathetic picture. Arjun Singh is suggesting that the party offer an apology for the destruction of the Babri Masjid—to woo back the minority vote bank. If Arjun Singh is all that concerned about the hurt sentiments of the Muslims only (although some Indian citizens of other religious beliefs were also hurt by the demolition of the Babri mosque), he should have the courage to demand the punishment of the prime minister himself and his cronies who connived at the demolition, instead of suggesting a ritual modelled on the Catholic practice of Friday confessions. His other party colleagues are busy wooing the Hindu vote bank by soliciting the services of the notorious godman Chandraswami to organise a 'yagna' to counter the 'sants' and 'mahants' of the Sangh parivar in Faizabad.

The atavisitic search of the Congress today for salvation through religious regression is partly a continuity of the Hinduism-oriented tradition with which the Congress got identified, and partly reflects the present ideological crisis of the party which has failed to formulate and put into practice a concept of secularism tuned to the complex Indian situation.

TWENTY YEARS AGO

EPW, May 26, 1973

Since the days of the British the top echelons of the bureaucracy and the police have never had any doubts about their dispensability to the political rulers who themselves have, in recognition of this fact, heaped on these functionaries perquisites and privileges to mark them out from the masses as well as from the rank and file of their own services. However, this method of managing the bureaucracy and the police through an elite officer cadre appears to be losing some of its effectiveness. Here again the higher educational levels of the new recruits may be one material factor; another may be the very real distress imposed on the lowest levels of these services by economic stagnation and inflation. One of the significant aspects of the mutiny of the PAC in UP was the intense resentment against their superior officers among the ordinary constables and head-constables it brought to light. Elsewhere too the demand for a wider diffusion of the tangible rewards of indispensability must be growing among the police forces.

The government's immediate riposte to the rebellion of the PAC in UP will be expectedly harsh; but after the more active participants have been individually dealt with, something would have to be done to mollify the rank and file of the PAC. Whatever form this takes, the result would be a further increase in expenditure under the head 'police' in the state budget.

The prospect, clearly, is one of continuous expansion of the size of the cake devoted to keeping the defence and police forces in good humour. It has been estimated that already what the central and state governments spend on these forces exceeds their total developmental expenditure. The process has a self-sustaining quality about it: the less that is spent on development, the greater the government's dependence on the forces of law and order and the larger the expenditure on them which in turn leaves less for development. The Planning Commission's 'Approach' sports two models of development, described as 'variants', for the Fifth Plan: one promising growth and the other promising growth plus more equitable distribution. To the list may be added a third 'variant' under which there is little growth and no redistribution but which seeks to take care of the adverse consequences of these deficiencies by larger and larger expenditure on the forces of law and order. It may be too cynical to suggest that, the Planning Commission's own preferences notwithstanding, this is the real 'preferred variant' of the political rulers. But it may not be at all far fetched to prognosticate that this is the 'variant' which is most likely to prevail in practice.

Shree Pacetronix

SHREE PACETRONIX is taking to manufacturing cardiac pacemakers, after having traded in them since the year 1989. Technology for the manufacturing operations is being provided by Bio-Pace Technology of the USA, which is a pioneer like Bio-Control Technology and Cardio-Pace Medical in the manufacture of cardiac pacemakers. BPT will be manufacturing the pacemakers for the Indian market. The project is appraised by State Bank of Indore to cost Rs 3.78 crore. Of this Rs 1.15 crore is the technical know-how fee payable to BPT. Expenses on foreign technicians are estimated at Rs 1.21 crore. BPT will be having a 6.7 per cent stake in the Indian company, which is issuing equity shares worth Rs 2.09 crore to the public in 10-rupee shares at par. The issue opens on June 8 with State Bank of Indore and CRB Capital Markets acting as the lead managers. The company is also issuing 38,000 shares to NRIs. The promoters are contributing Rs 80 lakh. The rest of the financing of the project is to be done with a term loan of Rs 59 lakh from the Madhya Pradesh Audyogic Vikas Nigam and capital subsidy of Rs 10 lakh. The project at Pithampur, MP will have a capacity of 4,800 numbers of cardiac pacemakers. Trial runs have been taken in May and production is to start in June. The company will be manufacturing non-programmable pacemakers and programmable pacemakers. The non-programmable ones will be available at a price of Rs 11,000 and the programmable ones at Rs 22,000. The cost of the imported machines comes respectively to Rs 20,000 and Rs 35,000. Demand in India during 1993-94 is estimated at 8,000 machines. BPT is to buy up 30 per cent of Shree Pacetronix's annual production for a period of five years. The company will work at 50 per cent capacity in 1993-94, at 60 per cent in 1994-95 and at 70 per cent in 1995-96. It will have sales worth Rs 3.30 crore, Rs 3.96 crore and Rs 4.62 crore respectively for the three years with expected profit after tax at Rs 44.03 lakh, Rs 56.38 lakh and Rs 1.11 crore and EPS of Rs 1.42, Rs 1.84 and Rs 2.34.

Ram Leather Exports

Ram Leather Exports, incorporated as a private limited company in 1988, started manufacturing leather shoe uppers in 1991 in Pondicherry, exporting them to Italy. It is now setting up capacity for manufacture of shoes and leather garments of 500 pairs and 150 pieces, respectively, besides 900 purses and 150 handbags, per day, all for exports. The project is appraised by Bank of Baroda to cost Rs 4.75 crore to meet which the company is issuing 40 lakh equity shares of Rs 10 each at par and offering 23.40 lakh shares to the public and 10 lakh shares to the NRIs. The issue is opening on June 9 under BoB and Indbank as lead managers. The company's present share capital is Rs 60 lakh while it enjoys with BoB working capital facility of Rs 75 lakh. As the project goes into production it will be taking up the present production of shoe uppers so far exported. For exports, the company plans also to enter the market in Germany, while it has appointed Lampomacchine International of Italy as its marketing agent in Europe and the US. The company is promoted by T S Janaki Raman and others. The projections of sales with increase in capacity utilisation from 60 per cent to start with to 80 per cent subsequently for the three years 1993-94, 1994-95 and 1995-96 are Rs 11.96 crore, Rs 13.95 crore and Rs 15.95 crore, respectively, and those of net profit Rs 1.01 crore, Rs 1.35 crore and Rs 1.70 crore. The project is to start on two- shift basis from the middle of June in order to make up for a delay of some two months.

Asian Alloys

Asian Alloys, promoted by Pawan Sachdev and manufacturing special steel castings and ingots at Fatehgarh, Punjab, is another company to be in the market on June 9. It is issuing 26 lakh equity shares of Rs 10 each at a premium of Rs 5 per share and offering 17.22 lakh shares to the public under BOI Finance and PNB Caps as lead managers. The capital issue is towards the Rs 5.67 crore project to expand the existing capacity from 21,500 tonnes per annum to 60,900 tonnes per annum. Following the capital issue the company's share capital will stand increased from Rs 80 lakh to Rs 3.40 crore. After a backlog of initial losses was wiped out in 1991, Asian Alloys has reported for the year 1992-93 increase in net profit from Rs 23.10 lakh to Rs 46.13 lakh with turnover recording a rise from Rs 18.81 crore to Rs 23.43 crore. The cost of expansion project as is appraised by Bank of India at Rs 5.67 crore is to be financed with the proceeds of the capital issue of Rs 3.90 crore (including premium amount of Rs 1.30 crore), term loan of Rs 1.50 crore from the Punjab State Industrial Development Corporation and internal accruals of Rs 27 lakh. The company is making the capital issue at a premium of Rs 5 per share on the basis of the equity's book value of Rs 30.9 and EPS of Rs 5.70 during 1991-92. The expanded capacity is to come into operation in August this year, but optimum production is expected only during 1995-96. Meanwhile, the company has projected a turnover of Rs 39.11 crore, Rs 44.70 crore and of Rs 50.29 crore respectively for the years 1993-94, 1994-95 and 1995-96, with net profit corresponding to Rs 1.54 crore, Rs 1.93 crore and Rs 2.31 crore. EPS for the three years is estimated at Rs 4.52, Rs 5.67 and Rs 6.79, respectively.

Indo-American Cement

Indo-American Cement Corporation, a company making a capital issue of 1.30 crore equity shares of Rs 10 at par on June 8, has the name American to it to the extent that its plant and technology are approved by the Construction Technology Laboratories, USA. The same are, however, being provided by Pittie Cement and Industries, an existing company in the field. The supply of the same by Pittie Cement for Indo-American Cement have been approved by the American company for the use of vertical shaft kiln (VSK) technology for setting up what is to be the world's largest cement plant based on this technology. While Pittie Cement is also to lend its marketing facilities, the requirement of limestone of Indo-American Cement are to be sourced from the quarries of Pittie Minerals and Metals. The promoters, Rajeev Bhansali, Anil Mehta, Arun Goel and others, have sought this arrangement as new-comers in the field. The company is setting up three cement plants of 200 tonnes per day capacity to manufacture annually 1.80 lakh tonnes of cement using VSK technology at a capital cost as low as Rs 892 per tonne of cement compared to the industry's present average of Rs 2,500 per tonne. The project, located at Jodhpur in Rajasthan, besides, is to have a short gestation period, as it is expected to go into production in August this year. In addition, a 15 per cent dividend is forecast in the very first year of production; the rate is expected to be 20 per cent two years later for 1995-96. The project is appraised by United Bank of

India to cost Rs 16.05 crore. Much of this is being financed with equity share capital of Rs 13 crore (promoters contributing Rs 3.25 crore), while of the balance amount Rs 2.10 crore is to come from lease and hire purchase of machinery and Rs 75 lakh by way of deferred payment. During 1993-94, the project is to work 200 days to yield Rs 13.95 crore of turnover and Rs 2.72 crore of net profit with annualised EPS of Rs 3.13. The turnover and net profit for 1995 96 are projected at Rs 23.72 crore and Rs 3.90 crore, respectively. Out of the capital issue of 1.30 crore equity shares, the company is offering 78 lakh shares to the public and 19.50 lakh shares to the NRIs. The issue opens June 8 under SBI Caps and Weizmann Industries as lead managers.

Namaste Exports

Namaste Exports, currently engaged in the manufacture of finished leather, leather garments, leather goods and textile outerwear, is embarking upon an integrated project covering modernisation of the tanneries, expansion of leather garment and textile outerwear manufacturing facilities and also diversifying into shoe manufacturing activity by establishing facilities for the purpose. The total funds requirement for undertaking the expansion programme has been estimated at Rs 30 crore by State Bank of Mysore. To raise this amount, the company is entering the capital market with a public issue of Rs 30 lakh equity shares of Rs 10 each at a premium of Rs 90 per share aggregating Rs 30 crore. The company is promoted by K Narayana Bhat and his wife, Madhura N Bhat. The company's sales turnover at Rs 2.88 crore in 1984-85 rose to a staggering Rs 53.56 crore in 1991-92. That for the year ended March 1993 is Rs 74.55 crore (unaudited). In 1991-92, besides the award for the highest export of leather garments, the company has won a special plaque for overall export of leather and leather proudcts from the Council for Leather Exports, Madras. It has also got the 'trading house' status conferred by the ministry of commerce, government of India. The expansion/modernisation of the tanneries and textile outerwear will be completed next month and the shoe manufacturing unit will start commercial production in October 1993. The issue opens on June 24. Listing of the shares will be on the Bangalore, Bombay and Delhi stock exchanges.

—JK

COMPANIES

Uncertainty over Fertiliser Price Policy

Jairaj Kapadia

WORKING of Varinder Agro Chemicals has gone haywire because of uncertainty in government policies for the fertilisers industry. The directors call this a transient phase and are hopeful that the uncertainty would be ending soon and there would result a higher offtake of single superphosphate fertilisers which the company manufactures. However, operations for the period from April 1991 to June 1992 have been much affected by the unsettled government policies. At the same time, while in order to finance its ongoing writing and printing paper project by way of diversification, the company has made a further call on shareholders for investment of funds (a rights issue of equity shares at cent per cent premium of Rs 10 per share aggregating Rs 934.50 lakh was made in November 1992), it has exercised waiver of dividend for the 15-month period in review. The directors mention in this connection the financial constraints due to the blocking of huge amounts with the government against subsidy claims and state they have decided to conserve resources and not recommend any dividend to shareholders.

The previous financial period also was of 15 months, as the company had closed the financial year in March 1991 instead of in December 1990. Then and also now it raised fresh funds from shareholders, having made in that period an issue of partly convertible debentures, which were offered also to the public, and which was followed up with a rights issue of equity shares as mentioned above. In the meantime, the company decided to expand the capacity of the writing and printing paper project at Barnala in Sangrur district, Punjab from 57.50 tonnes per day to 72 tonnes per day, to make the project economical.

Meanwhile, production of SSP fertilisers was 1,00,119 tonnes and of sulphuric acid 60,840.435 tonnes for the 15-month period under review compared to 1,57,253 tonnes and 76,326 tonnes respectively for the 15 months ended March 31, 1991. The turnover for the period under review was Rs 3,799.72 lakh compared to Rs 4,296.45 lakh for the previous period. The fall in production and turnover is attributed by the directors to uncertain fertilisers policies. However, there resulted a surplus profit of Rs 282.19 lakh which together with the previous balance brought forward of Rs 229.91 lakh aggregated Rs 512.10 lakh. All of this amount is carried to the balance sheet. As said earlier, the directors are hopeful of a turn for the better in fertilisers. At the same time, capacity utilisation of the paper project is expected to enhance results and profitability during the current year.

WOOLWORTH (INDIA)

Success Story in Wool

Woolworth (India), a wool tops company, has taken so fine a headstart in the very first year of operations that one wonders how the once famous company in the field, Modella Woollens, has turned sick. Modella Wollens has reached a state of virtual non-redemption, as was denied assistance by Central Bank of India under a scheme of rehabilitation sanctioned by BIFR. As against that Woolworth (India), on successfully implementing the wool tops project and with the spinning unit consistently working at optimum capacity utilisation levels, produced during the year ended March 31, 1992, 8,45,282 kg of worsted yarn and sold a quantity of 9,03,862 kg, thanks to an opening stock of 69,924 kg in hand. The sales realisation together with Rs 4 lakh of waste was of the order of Rs 3,157 lakh. The worsted yarn produced was of high quality and readily accepted in overseas markets in general currency area. Foreign exchange earnings for the year were of the order of Rs 3,153 lakh and exceeded foreign exchange outgo amounting to Rs 2,228 lakh.

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The company has been granted the coveted Woolmark by the International Wool Secretariat, UK. With the excellent response to the quality of the products, the operations for the year 1992-93 are expected to be still more encouraging.

Meanwhile, after the wool tops spinning plant, the silk division was at an advanced stage of implementation during the year under review. It has a split location—the degumming unit is at Malda in West Bengal and the spinning unit is at Raipur in Madhya Pradesh. The Malda unit and the silk tops unit at Raipur have since gone into production. With the spinning unit following suit, the company is to have started commercial production of spun silk/coil yarn. An expansion programme was also under way during the year of the worsted spun yarn 100 per cent export-oriented unit to double existing production capacity during 1992-93. The company has a licensed capacity of 787 tonnes of worsted yarn, 136 tonnes of silk spun yarn and 209 tonnes of coil yarn.

During 1991-92, there were earned export incentives of Rs 139 lakh while the company made a gain of Rs 163 lakh from foreign exchange fluctuations. These form part of 'other income' for the year. The figure of cash and bank balances which swelled from Rs 515 lakh to Rs 4,155 lakh includes remittance in transit of Rs 174 lakh and receipt on debenture application account of Rs 3,775 lakh as against which equity share application refund account has stood reduced from Rs 474 lakh in the previous year to Rs 23 lakh. The debenture application account is due to a rights issue to the shareholders of 35,22,600 12.5 per cent partly convertible debentures at Rs 90 each, besides to the employees, workers and Indian working directors, aggregating Rs 3,170.34 lakh. The issue was made to provide required finance for the 100 per cent export-oriented worsted spun yarn expansion project at Raipur and the spun silk/coil yarn project being implemented at Malda in West Bengal and at Raipur. The rights offer received overwhelming responses from the shareholders and the issue was oversubscribed with 15 per cent of oversubscription retained by the company.

The Week's Companies

(Rs lakh)

Financial Indicators	Varinder Agro Chemicals		Woolworth (India)		Wyeth Laboratories	
	June 1992	March 1991	March 1992	March 1991	March 1992	March 1991
Income/expenses/profits						
Net sales	3549	4207	3157	476	2670	2066
Excise duty	48	37	—	—	222	143
Other income	199	24	388	103	29	100
Increase (decrease) in year-end finished stock	NA	NA	33	268	50	(11)
Raw materials consumed	2140	2127	1511	464	1364	860
Power and fuel	82	93	109	26	175	145
Other manufacturing expenses	76	102	43	12	51	40
Labour cost	141	144	54	16	455	378
Other expenses	788	1113	276	67	376	344
Operating profits	573	438	1585	262	339	289
Interest charges	124	114	263	71	37	34
Gross profits	449	324	1322	191	302	255
Depreciation	169	116	205	61	34	25
Profits before tax	280	208	1117	130	268	230
Tax provision	—	33	—	--	127	108
Profits after tax	280	175	1117	130	141	122
Dividends	—	75	268	41	66	35
Liabilities/assets						
Paid up capital	1277	584	1338	1370**	388	388
Reserves and surplus	2624	952	961	104	601	521
Long term loans	—	1912	2302	1082	—	—
Short term loans	1706	813	2113	827	303	111
Other liabilities	612	574	4555	830	476	376
Gross fixed assets	4142*	1744*	4215	2360	666	611
Accumulated depreciation	NA	NA	269	61	508	476
Inventories	296	378	804	719	888	707
Of which finished goods	NA	NA	301	268	534	484
Receivables	1235	979	1472	476	571	435
Loans and advances	261	174	908	121	126	111
Cash and bank balances	119	96	4155	515	24	8
Investments	16	1307	—	—	—	—
Other assets	149	156	84	83	—	—
Total liabilities/assets	6219	4835	11369	4212	1768	1397
Key financial ratios						
Turnover ratio	0.57	0.87	0.28	0.11	1.51	1.48
Return on sales %	12.65	7.70	41.88	40.13	11.31	12.34
Return on investment%	7.22	6.70	11.63	4.53	17.08	18.25
Return on equity (%)	7.18	11.39	48.59	8.82	14.26	13.41
Earning per share	2.19	3	8.34	0.97	3.62	3.13
Dividend (%)	—	24	20	—	17	15
Book value per share (Rs)	30.56	26.32	17.18	11.01	25.46	23.42
Current market price	14	—	166.25	—	130	—
P/E ratio	6.39	—	19.93	—	35.91	—

* After accumulated depreciation of which the amount is not disclosed in abridged balance sheet published. So also not stock of finished goods. Hence NA—not available.

** Including Rs 40 lakh advance from promoters.
Woolworth (India)'s Report shows provision of Rs 41,07,970 for dividend proposed for 1990-91. The rate of dividend is not covered.

WYETH LABORATORIES

Cost Rise Contained

Preliminary results announced by Wyeth Laboratories for the year ended March 31, 1993 have shown growth in sales in gross figures from Rs 2,892 lakh to Rs 3,383 lakh with a sharp rise in gross profit from Rs 302 lakh to Rs 491 lakh and increase in net profit from Rs 141 lakh to Rs 242 lakh. As the full report of the year's working is awaited and will be available some two months later, the improved results have followed the better outturn by the company for the previous year ended on March 31, 1992.

Growth in sales during that year was pronounced at 37.1 per cent, the gross amount increasing from Rs 2,109 lakh to Rs 2,892 lakh, while profit before tax registered a smaller rise of 16.6 per cent from Rs 230 lakh to Rs 268 lakh. As the directors have explained in their report, that was because of the adverse impact of the inflationary pressures and the inordinate delays in receiving from the authorities adequate cost compensatory selling price revisions for the end products. As profits have now perked up by almost 72 per cent, it appears the company has been successful in surmounting those pressures.

If so, this is refreshing. For the directors in their report for the year 1991-92 had talked of the pharmaceutical industry going sick after it had remained an 'unfortunate exception' to the liberalised industrial policies which the government had still not extended to this industry. However, the situation has turned better now, though the new drugs policy is still taking time to be announced. Meanwhile, during 1991-92, Wyeth Laboratories turned a net earner of foreign exchange with exports made of high technology bulk steroidal intermediate and formulations of an order of Rs 367 lakh against Rs 114 lakh in 1990-91. The foreign exchange outgo, including Rs 293 lakh for import of raw material, was Rs 315 lakh.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 15-5-93	Variation (per cent) Over Last Month	Over Last Year	Over March 27, 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	235.0	0.5	6.0	1.1	9.8	13.7	10.3	7.5
Primary Articles	32.3	233.5	−0.2	−2.1	0.5	7.3	18.1	13.0	2.2
Food Articles	17.4	271.8	−0.1	3.5	1.0	12.3	20.2	11.8	1.2
Non-food Articles	10.1	222.9	−0.4	−0.7	−0.8	−0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	246.0	0.4	14.9	0.4	14.1	13.2	12.3	3.6
Manufactured Products	57.0	233.8	0.9	6.8	1.5	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1992	1992-93	1991-92	1990-91	1989-90
Industrial Workers	1982 = 100	243[3]	0.4	6.1	6.1	6.1	13.5	11.2	6.5
Urban Non-Manual Employees	1984-85 = 100	205[1]	—	9.6	6.8	..	13.5	11.0	6.9
Agricultural Labourers	July 60 to June 61 = 100	1,053[3]	−0.5	3.8	3.8	3.8	19.3	7.5	3.2

Money and Banking	Unit	Latest Fortnight (30-4-93)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,77,293	6,337 (1.7)	50,555 (15.5)	14,929 (4.1)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,85,757	10,850	21,152	9,583	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,142	484	24,515	4,083	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	25,318	1,163	6,208	1,982	6,155	10,098	1,915	−149
Deposits of Scheduled Commercial Banks	Rs crore	2,74,744	−1,208 (−0.2)	38,504 (16.3)	7,597 (2.8)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,55,517	290 (0.2)	22,980 (14.8)	4,463 (3.0)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 21-5-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	21,062	−635	6,695	866	5,385	10,223	−1,383	−795
	US $ mn	6,704	−291	1,092	237	746	3,383	−1,137	−854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Oct 92)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	208.3	204.7 (3.0)	198.7 (−0.9)	0.1	8.5	8.6	8.7	7.3
Mining and Quarrying	11.5	215.4	207.7 (3.5)	200.6 (−1.0)	0.8	4.9	6.3	7.9	3.8
Manufacturing	77.1	196.8	195.0 (2.2)	190.8 (−2.4)	−1.4	9.1	8.6	8.7	7.9
Electricity	11.4	278.4	261.7 (4.5)	250.5 (7.9)	8.3	8.7	10.8	9.5	7.7
Basic Industries	39.4	..	..	..	..	3.8	5.4	9.9	5.6
Capital Goods Industries	16.4	..	..	..	..	17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5	..	..	..	..	6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6	..	..	..	..	10.4	6.3	4.2	6.5
Durable Goods	2.6	..	..	..	..	14.8	1.7	12.0	7.8
Non-Durable Goods	21.0	..	..	..	..	9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (Feb 93)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989-90	1988-89	1987-88
Export	Rs crore	5,312	47,234	38,930	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,096	57,302	42 917	47,813 (10.7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	216	−10,068	− 3,987	−3,835	−10,640	−7,735	− 8,003	−6,570

Employment Exchange Statistics	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	537	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985 86
Gross Domestic Product (current prices)	Rs crore	..	..	3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (−1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. .. Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript [1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

India's Report to UN on Human Rights

A G Noorani

The proposed National Human Rights Commission will have no jurisdiction over paramilitary forces and will have no power to hold any inquiries on complaints against the army. It also restricts the definition of 'human rights' to rights enforceable under Indian law. Can such a body be effective in containing human rights violations?

ON May 20, the official spokesman of the ministry of external affairs told the press in the wake of the Mallott visit, that India's "commitment to human rights is second to none". Why then does its action belie its words constantly? No one denies that the Constitution embodies fundamental rights and that our record on human rights, on the whole, is the best in the third world. It is also a fact that to large segments of our society justice is denied and not merely because of economic and social reasons. Justice is denied partly because the judicial process is slow, sluggish, expensive and yet inadequate, and is moreover, not completely free from the taints of corruption. But the greatest culprit is the executive. The law enforcing agencies are simply not conscious of the concept of human rights generally The bureaucrats are insensitive. The politicians in power are indifferent if not cynical.

The union home minister S B Chavan's rhetoric on human rights is appalling. On May 14 he moved in the Lok Sabha the Human Rights Commission Bill, 1993 to set up the National Human Rights Commission. It will not have jurisdiction at all over the paramilitary forces. There will be no power to hold any inquiries on complaints against the army and the paramilitary forces. The Commission will simply forward the complaint to the government, hear its response and make a recommendation which may not be published.

The bill restricts the definition of 'human rights' to rights enforceable in Indian law. The Commission can be packed with as many as three secretaries to the government of India out of eight members. Three others will be government appointees—chairpersons of the National Commission for Scheduled Castes and Scheduled Tribes, the Minorities Commission and the National Commission for Women. The chairperson will be a sitting or formal judge of the Supreme Court. Can such a body inspire public confidence? Even to visit jails it will need permission of the state government like any private citizen.

If the bill is no evidence of earnest nor is the gross and consistent delay on the part of the government of India in filing its periodic report on its observance of the two International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights. The report on the Covenant on Civil and Political Rights is submitted to the UN secretary-general who transmits it to the Human Rights Committee set up by Article 28 of the Covenant. India satisfied the Covenants only on March 27, 1979 with serious reservations set out in the instrument of ratification. The sum and substance of the reservations is to reduce the scope of the Covenant of Civil and Political Rights to that of the restrictions on fundamental rights in our Constitution.

Not till 1984 was India's first report examined. The second report was due in 1985. It was submitted only on July 12, 1989 after seven reminders had been sent to the government of India. The third report was due on July 9, 1990. It has not yet been submitted though the committee extended the deadline for submission until March 31, 1992. So much for the claim that India's "commitment to human rights is second to none".

It may be recalled that the second report was examined by the committee at New York on March 26 and 27, 1991 when India was represented by G Ramaswamy, the then attorney-general. The members of the committee do not represent governments but are experts who sit in their personal capacity. The grilling of Ramaswamy was commented on widely in the press most notably by Nandita Haksar. In March 1993 Amnesty International published a paper on the examination of the second report by the Human Rights Committee. The then attorney-general, K Parasaran, appeared before the committee when the first report was examined. Members pointed out to G Ramaswamy that the shortcomings which Parasaran had promised that India would remove continued to persist.

For the first time, the 1992-93 Annual Report of the union home ministry has a chapter on Human Rights (pp 38-41). It says, "there was no specific provision in the Allocation of Business Rules, 1961 for dealing with matters relating to Human Rights as a separate subject. A decision was therefore taken to make such a provision under the charge of the Ministry of Home Affairs. A number of steps were taken by the ministry during 1992 to counter the propaganda..."

It seems that this is the prime aim. There follow references to Amnesty's reports and the government of India's responses to them and to the moves to set up a Human Rights Commission. "A Human Rights Cell was created in the Home Ministry". Discussions on 'Custodial Crimes' are also referred to. The only tangible 'action' was the organisation of a training programme in co-ordination with the National Police Academy 'for sensitising officers' on human rights. UNESCO has a training programme. The UN Human Rights Division in Geneva also provides help in such matters. Not only officers but constables also need to be taught what human rights is all about. We are told that states have been advised to set up human rights cells to monitor and follow up "cases of alleged human rights violations by the law enforcement agencies".

The home ministry report refers to the visit in November 1992 by an Amnesty International delegation. "The visit marked the start of a constructive dialogue with Amnesty International, which is proposed to be continued in the same spirit." The next step should be to allow Amnesty's representatives to visit Kashmir—especially since our commitment to human rights is second to none.

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Panchayats and Left Politics in West Bengal

Poromesh Acharya

Despite the apparent 'success' of panchayati raj in West Bengal under Left Front rule, the overall domination of the privileged classes over the rural power structure remains unchallenged.

WEST BENGAL is going for anotner panchayat election by the end of May 1993. The Left Front is sure to win the election with an overwhelming majority. West Bengal has a three-tier panchayat system. On June 4, 1978, after 14 years, direct elections were held to elect 56,000 representatives for 15 zilla parishads, 324 panchayat samitis and 3,242 gram panchayats under the West Bengal Panchayat Act, 1973. According to the provisions of the 1973 Act, panchayats will have their normal terms of four years. It is to the credit of the Left Front government that panchayat elections are being held regularly since 1978.

Democratic decentralisation through panchayats as a means to usher in a new social order for the socio-economic transformation of the rural community of West Bengal has been accepted by the Left Front government as a state policy. Promode Dasgupta, the first chairman of the Left Front, stated, "it is a struggle for establishing the rights of poor peasants, agricultural labourers, village craftsmen, etc, against the vested interest and exploiting classes in the villages". He further observed that through panchayat elections, power will be decentralised and with the organised force of the village poor and middle class Left unity can only carry out the task of establishing the power of poor curbing the power of the administrative officers in the villages. In this connection, one may recall the political resolution adopted at the 10th congress of the CPI(M) held in Jullundhur in April 1978 which stated that the basis of united kisan movement shall be "the agricultural labourers and poor peasants, departing from the past practice of mainly basing on the middle and rich peasants". Implicit in it is the question of hegemony and empowerment of labouring people.

Looking at the performances of panchayati raj in West Bengal since 1978, one may wonder if all these were not only pious wishes. No doubt, there emerged a new generation of leadership in rural West Bengal but the class and caste background of the new leadership may not have changed much. There developed a new institutional structure, decentralised in form but still dominated by the middle and rich peasants. The agricultural labourers and poor peasants, though not in proportion, have their representatives in the new structure but their participation in the decision-making process is still a far cry.

It may be true that the power of government officials has been curbed considerably. In fact, 'sabhadipathies' of zilla parishads now wield the supreme power in the district. The sabhadipathi, like the chief minister, governs over all the affairs of development and administration in the district. The district collector plays generally, if not a subordinate, a secondary role. Similarly, the sabhadipathi of the panchayat samiti has overall control over the affairs of the block. It is interesting to note that almost all the sabhadipathies belong to the upper strata of rural society with a bhadralok background. A few of the sabhadipathies of panchayat samitis may be from the lower castes but not necessarily from lower classes. The most important question, however, is the class character of the district party leadership. In a system of so-called democratic centralism it is the party secretary who holds the ultimate authority, though there may be a few exceptions. And a party secretary with a labouring background is unusual. The overall domination of the privileged classes over the decentralised power structure as a result remains without being seriously challenged.

At the gram panchayat level there may be quite a number of members and pradhans from poor and lower middle peasants. However, this could not bring about any radical change at the grass-roots-level leadership. Usually, the pradhans and members from the labouring classes are guided in decision-making by somebody from the party who generally belongs to the upper strata of the rural society. More interesting is that representatives from the labouring classes soon start imbibing the characteristics of the leisured classes. In many cases even their life-style changes in no time. In fact, they become 'declassed' in a reverse way. It is difficult to prove that the decentralisation of the power structure through the introduction of panchayati raj could achieve the goal of empowerment of the labouring people and establishment of the hegemony of the labouring classes over the village society.

Land Grab Movement

It may be necessary to discuss the issue a little more elaborately. To my mind, empowerment of labouring people as a process entails two very significant aspects. It requires getting rid of old inhibitions on the one hand, and acquiring critical awareness on the other of one's status in the social complex leading to a solidarity movement for structural change of the society. It is the age-old docility of the labouring classes in general that allowed the landowning classes to dominate over them. The religious traditions and customs played an instrumental role in keeping the labouring classes in an agrarian society docile without much coercion. Getting rid of this docility is therefore the precondition for empowerment of the labouring people. The process, however, remains not only incomplete but may degenerate if not carried further towards logical fruition. For establishing the hegemony of the labouring people over the society as a whole, it is necessary to organise a solidarity movement based on *enlightened participation*. A solidarity movement for land reforms and counter-education is crucial for carrying out the task. It is unfortunate that the question of counter-education never got its due importance in the agenda of the kisan movement in our country.

The Left Front in West Bengal also failed miserably in carrying out the task. The total literacy campaign initiated by the National Literacy Mission gave the Left Front a golden opportunity in this regard. In their futile zeal to claim total literacy, the respective Zilla Saksharata Samitis missed the spirit of functional literacy and reduced the campaign into a Laodicean exercise. It is no wonder that the first district of West Bengal which had claimed to have achieved the goal of total literacy admitted recently that about 50 per cent of neo-literates had reverted to illiteracy.

It is interesting to recall in this context that the land grab movement launched during United Front government rule in the late 60s helped the labouring classes of rural West Bengal to get rid of their age-old docility to a large extent. The red flag became the symbol of struggle for

emancipation from the yoke of oppression. It was no wonder that the Left Front won successive elections with the massive vote of the rural labouring people. The Congress on the other hand never even thought of taking up the causes of labouring people and is generally looked upon as the party representing the interests of the rural elites. However, coming to power in the 70s the Left Front neglected to carry out the incomplete process started during the United Front rule.

Gift from Above

It is all the more interesting that Operation Barga, the only significant achievement of Left Front, was more a gift from above. The operation was carried out mainly by some committed bureaucrats with the support of bargadars and the state-level party leadership, particularly Promode Dasgupta, the Left Front chairman. The role of bargadars in the operation was that of rather passive participation, notwithstanding the long tradition of barga movement including the historic Tebhaga movement. One may recall in this connection that it was the Floud Commission which had first upheld the cause of bargadars and recommended the restoration of John Kerr's bill to treat as tenants bargadars who supply cattle and agricultural implements and to stipulate the share of crop recoverable from them to be one-third instead of half. However, it did not recommend extending of occupancy rights to the bargadars. It is Operation Barga which ensured the occupancy rights to the bargadars.

In between the land Revenue Commission's report recommending one-third share to bargadars and Operation Barga ensuring occupancy rights, much water has flowed through the Ganges. A vigorous peasant movement ensued after the recommendation of the Land Revenue Commission. As a result, Bhagchas Boards were constituted for settling disputes of crop-sharing between landowners and sharecroppers. In the 50s and 60s one of the major issues of the Krishak Sabha movement was against the eviction of bargadars for refusing to part with half of the produce as had been in vogue earlier. Operation Barga may be said to have been the culmination of the process. Meanwhile the zamindari system had been abolished and big occupancy ryots and rent-paying tenure holders emerged as the elite groups in rural society.

What Rabindranath Tagore said in a discourse with Pramatha Chawdhury, a bhadralok and a renowned Bengali author, on the question of allowing proprietary rights to occupancy ryots proved to be true. Pramatha Chawdhury has not been proved to have been wrong either. Tagore feared that the proprietary rights would only expose the poor ryots who did not know how to protect their interests to the greed and cunning of unscrupulous usurers and moneylenders. He argued that during the tyranny of indigo traders, the Bengal zamindars had protected the rights of ryots. He believed that those among the ryots who knew how to protect themselves were even more dangerous and were likely to devour others. In the process, one day they would emerge as the new zamindars by taking recourse to all sorts of fraud and merciless cunning. He even expressed his doubt about the protective ability of law. There were expert lawyers to be employed by the big land grabbing ryots and who were out of reach of the petty ryots.

Pramatha Chawdhury argued that the Permanent Settlement had in a way robbed the Khudkhast ryots of their traditional rights to land and transferred the proprietorship to a class of people who had never before enjoyed such rights. Zamindars before the Permanent Settlement were the collectors of revenue on contractual basis. Besides, zamindars under Permanent Settlement, notwithstanding a few exceptions, were no less oppressive. Proprietary rights to ryots as proposed would only deprive the zamindars of the unearned income they used to make by way of extorting a fee, from the ryots on transfer of occupancy rights. Transfer of occupancy rights on payment of a fee to the zamindars was already in vogue. He concluded that zamindars had no moral right to be the guardians of the ryots and as such had no moral right to oppose conferring of proprietary rights to the ryots, even if some of them fell prey to cunning fellow ryots or unscrupulous usurers and village moneylenders. They are after all adults and have the right to manage their own affairs.

He, however, opined that some protective clauses could be included in the law. To describe the condition of Bengal ryots he referred the novelist Bankim Chandra Chattopadhyay and a leader of zamindars, Bomkesh Chakravarty. According to Bankim Chandra, peasants of Bengal were suffering from three malaises, namely, poverty, illiteracy and slavery. He held the zamindary system largely responsible for the sorry plight of the Bengal peasants. Even Bomkesh Chakravarty admitted that 70 per cent of the peasants of Bengal went to bed without having two square meals. Surprisingly, Pramatha Chawdhury noted that but for the munsifs and petty government officials, the Bengal peasants would not have been able to survive. It was not the zamindars, nor the lawyers and politicians whom the zamindars patronised, but the government officials who somewhat protected the interests of the peasants. The observation may not be altogether wrong. However, Pramatha Chawdhury advocated the cause of ryots from a liberal point of view to uphold the norms of civil society. He was apprehensive of a communal upheaval and wanted to forestall that.

Pramatha Chawdhury endorsed the demands raised in a big meeting of Bihar ryots held a Muzaffarpur. The demands were: (1) compulsory primary education; (2) one charitable health centre at a gap of every four miles; (3) right to transfer by sale occupancy holdings; (4) rights over trees on occupancy holdings; (5) rights to dig ponds and build pucca buildings; and (6) occupancy rights be made permanent with fixed rents ('maurasi' and 'mokrari').

Is it not interesting to note that except in Kerala, the first two demands have not been fulfilled in any state even after 45 years of independence and about 40 years after the abolition of the zamindary system? One may not be sure also if the social and economic conditions of the rural poor have undergone any radical change.

Party Bureaucracy

Tagore rightly observed that there would emerge a class of landholders no less oppressive after the abolition of the zamindary system. Chawdhury did not deny the possibility but recognised the inevitable course of history and wanted to pre-empt a bloody confrontation. It can reasonably be said that notwithstanding the Barga operation, the 14 years of panchayati raj could hardly bring about any change in agrarian relations basically different from what the liberals like, what Pramatha Chawdhury had endorsed many years ago. No doubt, there developed a decentralised structure of institutions which curbed the power of officialdom to a large extent. But how far that could ensure the emergence of an alternate leadership in terms of class and caste may not be beyond doubt. One may even question if the political power structure could be functionally decentralised under a centralised party structure.

There may be some truth in the otherwise somewhat exaggerated contention that it is the party bureaucracy which now holds power in rural West Bengal. Traditional village solidarity guided by village society norms which gave birth to the panchayati raj concept has already been destroyed and replaced by party solidarity wrongly construed to be class solidarity. In fact, after the Barga operation, there was hardly any issue for mass mobilisation and mass contact except periodical electoral exercises, and as such a situation of inertia has prevailed which was a fertile ground for the development of bureaucracy in the party. It was the Total Literacy Campaign which became an issue of mass contact after a long gap.

To my mind, the Left movement in West Bengal reached its peak in the late 60s and early 70s and then it slided down to a point of almost no return. It may not be unreasonable to say that the most important organised movement of the labouring peasants with an element of spontaneity was the land grab movement launched during the United Front rule, notwithstanding the aberrations which ought to have been avoided. It was perhaps far more significant than any other peasant movement, including the great Tebhaga movement

For the first time, there was a slogan which caught the imagination of the labouring peasants, particularly the landless labourers, and the response was almost universal. The movement spread to almost all parts of rural West Bengal like wild-fire. The extent of active participation of the labouring classes was simply unique. Unfortunately, no attempt has yet been made to study the import of the movement systematically. However, it can be said without fear of contradiction that this movement brought in very significant changes in the pattern of conflict negotiation in rural West Bengal. The labouring peasants recovered from one of the malaises referred to by Bankim Chandra, namely 'slavery'. No longer could they be taken for granted. Getting rid of the age-old docility they now were prepared to take the offensive, while the jotedars and rich peasants were pushed to a defensive position. Even the repression unleashed by Congress rule after the fall of the United Front government could not reverse the process. Unfortunately, the Left Front after coming to power failed to complete the process, maybe, for fear of losing governmental power.

Jotedars and rich peasants, however, realised soon that the overt method of domination they were used to had to be changed and a new strategy had to be adopted. They conveniently changed their colour and in no time penetrated into the local-level leadership of different Left parties, including the CPI(M). There may be some truth in the joke that class struggle is over, now there is struggle of colour. It is interesting that most of the violent clashes that have taken place in rural West Bengal during the last 10-12 years have been by and large inter-party clashes, often among the Left parties, even if the bone of contention was land. There may even be more casualties in inter-party clashes than in land disputes. The penetration of jotedars, rich peasants and a number of unscrupulous persons in the local level party structure has given rise to a different sort of vested interest against which Promode Dasgupta had declared war. It appears now that the Left parties have been trapped into a situation from which it would be very difficult for them to come out without large-scale purging of party members, which again may adversely affect their electoral prospects, at least for the time being.

Elections vs Ideology

It is apparent that Left Front wins election at the cost of ideology. In fact, it is the negative votes which now decide the fate of the Left Front. In the absence of any organised opposition which has a strong ideological base or any programme to invoke the imagination of the people, the Left Front may not face any real challenge in the foreseeable future. West Bengal Congress is an organisation of discredited individuals without any alternative programme or ideology and as such hardly has any electoral prospect in the near future. The only other opposition party with a significant following is the BJP. To my mind, BJP is likely to come up soon as a party to be reckoned with. It is a party which has an ideological basis and with slogans to catch the imaginations of even the labouring classes of a particular religion, however, dangerous might be these slogans.

To my mind, it is the BJP which is likely to put up a real challenge to the Left Front and to the ideology of leftism ultimately. The influence of BJP is growing in rural West Bengal, but is yet to be visible in organised shape. Even in the rank and file of the Left Front, the influence of BJP is traceable. The recent communal disturbances are cases in point. The involvement of the local Left Front workers in the communal conflicts is no longer any secret. It is only a matter of time before communal politics takes over, pushing class and caste politics to the back-seat. In West Bengal the Left Front can counter this possibility if only they could rise to the occasion, getting rid of the inertia they are suffering from.

Caste, Class and Agrarian Movements in Bihar

Krishna Chaitanya

Two recent killings in the flaming fields of rural Bihar point towards the dynamics of agrarian mobilisation and its success in overcoming the question of caste-class contradiction and the new alignments taking place in the countryside of Bihar.

LAST year, on August 14, a day just before the 40th anniversary of the country's independence, the people of Bihar had woken up to find their favourite newspapers informing them with screaming headlines that the 'naxalites' have once again struck at Ekwari, the village, the very mention of which, once used to send shivers down the spines of the members of the ruling classes and their lackeys, the middle class, alike.

But the sense of unease which the 'educated and the enlightened' citizens of Patna experienced at the prospect of the apparent renewal of 'naxalites activities' at Ekwari quickly gave way to gratifying relief. The Ekwari killings were not an alarming event for them. For this time, it was not the landlords who were the targets of naxalites but the same poor farm labourers whose cause, the naxalites once claimed to be championing. Visibly relieved they had sipped additional cups of their morning beverage while discussing the latest killings by the 'naxalites': Now that the 'naxalites' had shown their true colours the 'labour class' would realise that the naxalites were not sympathetic to their cause and so would return to their old masters. This would mean that they (the landholding classes) would now have no problems in maintaining their landed estates in far away villages and can be assured of getting the same obeisance which was their birthright but which the labour class had stopped paying under the demonic influence of the naxalites. This would also mean that they can have as many 'naukars' in their homes in the cities as they want and the naukars will not indulge in acts of defiance and indiscipline. So went the discussions.

Coming as it did after almost 20 years, since Ekwari became known to the outside world, these killings should have occasioned some serious thought over why at all such killings were still taking place in an area where the government had spent massive sums at 'development' and 'restoration' and 'maintenance' of 'law and order' which had been 'rudely disturbed' by the 'naxalites' two decades back.

But let alone this, the killings did not generate even an iota of reaction. No newspapers bothered to publish even a follow-up or a backgrounder to the inci-

dent, while many of them did all they could to highlight that the naxalites had killed poor farm labourers and this was bound to rebound on them.

The lone exception was Jagannath Mishra who jumps on any opportunity that may bolster his efforts to dislodge the present dispensation ruling the state and thus to re-establish the lost empire of the upper caste landlords and bureaucrats over Bihar. Since the Ekwari killing has taken place at a time when the left parties were carrying a land liberation campaign, it provided the likes of Mishra another handle to denigrade the government and the land liberation movement. He had found the killing a direct fall-out of the 'atmosphere of chaos and violence' created by the chief minister's pronouncement that the police would not take deterrent action against those grabbing surplus lands of landlords as part of the campaign launched by 'leftist and extremist organisation'. Mishra immediately prepared a memorandum calling upon the governor to dismiss the government which had not only failed to maintain 'law' and 'order' but was also providing patronage to the land-grabbers. The Ekwari killings however had nothing to do with the ongoing land liberation movement of the left parties.

Since June this year, the Bihar Pradesh Kisan Sabha (BPKS), the peasant wing of the IPF, had been enforcing an economic blockade against about two dozen feudal landlords in the villages of Bhojpur. These landlords have achieved quite a notoriety for their brutality in exploiting the agricultural labourers. They are not only in possession of big landholdings running into several hundred acres but also by using the surpluses from agriculture and the manipulations through bureaucratic feudalism have acquired enormous non-landed assets and have diversified into businesses like transport, rice and flour mills and so on. Jwala Singh, the mukhia of Danwar Bihta who, according to popular belief, had masterminded the infamous Danwar Bihta massacre during the 1989 Lok Sabha elections, and later on, the mass rape happened to be one of the landlords against whom the BPKS had been trying to enforce on economic blockade. What the BPKS aimed to achieve through the economic blockade was forcing the landlords to capitulate before the peasant movement and give up their exploitative and oppressive tactics.

For imposing an economic blockade, the peasant movement call for a social boycott of the landlords and try to attack the economic resources of the landlords. An appeal is made to the agricultural labourers not to work on the fields of the landlords. Similarly the village shopkeepers are requested not to supply commodities to the landlords. Ripe crops are harvested by the peasants' body. A fifth of the harvested crop is reportedly kept for the party fund and the rest is distributed among the needy people.

This strategy of economic blockade has registered significant successes. For instance on June 20 last year, one of the landlords Rajandhari Rai of Nonur village in Sahar block had surrendered before a BPKS rally, paid Rs 6,000 towards fine, vowed to pay enhanced wages to the labourers and treat them with dignity.

Sankh Singh of village Ekwari happened to be one of the landlords against whom BPKS had imposed an economic blockade. Since his assets and businesses are strewn in various parts of the district and state, he remained unaffected by the economic blockade. He was running a transport company which had a fleet of luxury buses, trucks and tractors. As part of their campaign against the landlords, the BPKS cadres had burnt down two luxury buses and one tractor belonging to Sankh Singh, since the latter had decided to run them in violation of the economic blockade called by the BPKS. Even this had not deterred the landlord and when the time came for transplanting the paddy crop, he had decided to get his land sown, come what may.

Since the agricultural labourers of Ekwari, in response to the appeal of BPKS, had decided not to work on the landlord's field, Sankh Singh had called labourers belonging to his fellow caste from another village, Baruhi and decided to sow his fields at gun point. He was one of the about 40 upper caste landlords in the village who held licensed arms. Besides the licensed weapons the landlords, as is normal in the villages of Bihar, held a number of unlicensed arms. So Sankh Singh had no problems in amassing weapons for use in the gohar against the peasant activists if they dared to resist the sowing of his field.

As the landlord started getting his field sown, activists of the local unit of CPI(ML) (Liberation) and its open peasant wing BPKS, warned the landlord to desist from it and firstly surrender before the people's court and atone for his past misdeeds. They also warned the labourers to desist from sowing work, violating the economic blockade imposed by the BPKS which amounted to going against the common wish of the village masses. The labourers however ignored these warnings.

So the CPI(ML) activists surrounded the field and fired in the air to scare away the landlord and his men. Armed to the teeth, the landlord and his men opened fire on the CPI(ML) activists killing two of them. The CPI (ML) cadres retaliated killing four and injuring two others. And next day on August 14, the newspapers dutifully reported that the 'naxalites' have once again struck at Ekwari.

As is well known, it was at Ekwari and the neighbouring area that the now two-and-a-half decade old phase of the re-invigorated and revitalised peasant movement began and then grew to encompass the whole of central Bihar, broke new grounds across the Ganga and in the plateau regions of the state and is still gaining in strength and spread. In Ekwari and the surrounding area the movement achieved tremendous success in its fight against the exploitation and oppression of the weaker classes. Its strength grew and it achieved tremendous success in mobilising the toiling masses. Sections of all castes joined the movement though the overwhelming proportion was those of dalit agricultural labourers and poor peasants. This was natural, given the class-caste reality of rural Bihar.

But admittedly the movement could not achieve much success in mobilising the poorer sections of the upper castes as well as middle peasantry belonging to backward castes. The deep-rooted caste consciousness proved a big obstacle in developing class solidarity of the working masses. The Ekwari incident had an important lesson for the movement that despite the two-and-a-half decades of work among the rural masses, the caste consciousness of poorer sections of upper

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castes remains a formidable obstacle and is an issue that requires to be devoted more thinking and efforts. The Amauli-Harinathchak killings however had all the elements of a class war but nevertheless had different set of lessons for the agrarian movement.

This killing had as its background a protracted movement waged by the Mazdoor Kisan Sangram Samiti (MKSS) to liberate a tract of 'gairmazarua-am' (public common) lands illegally occupied by a bhumihar landlord, Shyamnandan Singh, of the nearby Karwan village, around 50 km from the state capital and a demand for enhancement of wage rates. A rapacious landlord, Singh owns about 45 acres of land and is in illegal possession of several tracts of gairmazarua-am land.

Singh is a key figure of the Kisan Sangh, floated by the landed elements of the area. Originally a brainchild of the 'Shere-e-Bihar' of yore, Ramlakhan Singh Yadav who is now in JD(A), the Sangh has organised landed elements from all castes to crush the peasant movement. Since its inception the Sangh has committed a number of massacres and murders of peasant activists.

The peasantry of the area organised by the MKSS however has been agitating for freeing the gairmazarua land and for enhancing the wage rate. The landlord Singh however has been resisting the peasant's demands. When the labourers had refused to work on his fields, he had got his land cultivated by bringing farm labourers from outside. Upon this the MKSS had decided not to let the landlord harvest the crop. And thus on February 28-March 1, the peasants led by MKSS activists had harvested the gram crop from a five bigha plot occupied by Shyamnandan Singh and dumped the harvested crops in the neighbouring Sarvani-Musahari village.

Soon the landlord mobilised the Kisan Sangh hooligans. The *nouveau riche* yadavs of Amauli and Harinathchak belonging to Kisan Sangh ganged up. Armed to the teeth and helped by the local police, the yadavs raided the Sarvani Musahari village and retrieved the crops harvested by the MKSS cadres. On the same evening around dusk the MKSS cadres raided Amauli and Harinathchak villages and killed five people who had participated in the retrieval operation on behalf of the Kisan Sangh. All those killed were yadavs and the MKSS contingent also consisted preponderately of yadavs besides Musahars and other dalit castes.

This killing thus showed that the propertied classes from various castes are shedding their traditional caste rivalry and joining hands to crush the popular movement of peasant labourers. After the killing the Bihar CM, Laloo Prasad, puzzled at the 'strange alliances' angrily asked a villager, Kameshwar Yadav, at Harinathchak, "Why did you go to the rescue of a bhumihar landlord who owns over 40 to 50 acres of land? After all you are a poor Yadav, and as such, you should not have gone to his rescue." At this Yadav instantly replied mincing no words that he did own five acres of land and was an 'active member' of the Kisan Sangh which the landed elements have formed "to protect (their) land and property from the Naxalites, and as the member of the organisation (they) decided to help Shyamnandan Singh who is also a member of the Sangh".

At the other end, the killing also showed that class consciousness among backward castes has also taken roots. That yadavs organised by MKSS should have no hesitation in attacking yadav hooligans of Kisan Sangh once again highlights this. This also shows that the task of running over the middle peasantry is still confronting the movement. That five acre owning backward farmers should be aligning with 50 acres owning upper caste landlords shows that the middle peasantry is still lying in the vice-like grip of the landlords. Unless the movement succeeds in winning over the middle peasantry, the task of tilting the balance of class forces in the rural areas in its favour will remain unfinished. And this requires some serious thinking on the stand the movement has taken over the question of peasant-led transformation of agriculture which the movement so far appears to be still treating as reactionary lumpen transformation.

Drought in Kalahandi
The Real Story

Jagadish Pradhan

The problems of Kalahandi are not unique—many other drought-prone areas of Orissa and the adjoining states suffer from more or less the same pattern of distress, which is rooted in the distorted development perspectives of the state.

KALAHANDI in the recent years has become synonymous with drought, starvation, poverty and all such maladies of the human world. Not surprisingly therefore, ever since the mid-80s 'Kalahandi' has been hitting the headlines in the regional as well as national newspapers and magazines. Between 1966 and 1988 three prime ministers have visited the district a number of times to assess the gravity of starvation deaths, child-selling and human beings surviving on mere grass and inedible roots, etc. Governments have been claiming that a number of special schemes, to change the situation in Kalahandi, have already been taken. Researchers and academicians have undertaken research on the various aspects of the drought in Kalahandi.

Is drought the real problem in Kalahandi? The shortage of rainfall has always been held to be the culprit. From Table 1 we see that during the period 1977 to 1988 the average annual rainfall in Kalahandi has been 1,254.9 mm, which is quite impressive. In seven years during this period the rainfall in Kalahandi has been more than the average rainfall of Orissa. Only in five years has it been less than the state average. Further, those five years also cannot be called the drought years in Kalahandi. During the past 20 years, 1988 has recorded the lowest rainfall in the district around 978 mm. During 1990-91, Kalahandi had a rainfall of 2,247 mm, highest recorded in decades. Can we say then that deficit rainfall is the cause of drought (meteorological drought and agricultural drought...) which leads to poverty? The problems then must lie elsewhere.

Is the crop pattern responsible for the agricultural drought in Kalahandi? From the Tables 2 and 3 we find that 48 per cent of its area is under forests, among the highest in Orissa and constituting roughly 10.5 per cent of the forest area of Orissa. Of the cultivated 7,62,000 hectares, foodgrain is grown on 82 per cent of the area. Paddy, which requires more water than other crops, is grown only on 41.7 per cent of the cultivated area. Approximately 40 per cent of the cropped area is under drought-resistant and dry-land

crops like jowar, ragi and other millets are also grown along with pulses like mung and gram. There is also a feeling that, since the area under paddy crop has increased, drought has become more acute. So the figures say clearly that rainfall shortage has not been the cause. Moreover, government records show that in the past few years paddy cultivation has been declining in Kalahandi.

Agriculture scientists believe that Kalahandi, Koraput and adjoining parts of Chhatisgarh and Bastar in Madhya Pradesh have been the natural habitat or genetic home for a number of large varieties of rice. Rice cultivation is older here than in other parts of India. Recommending the introduction of hybrid rice and such other crops will only aggravate the problem. In fact by careful seed selection over the centuries farmers in Kalahandi, like subsistence farmers in many other regions, have developed an astonishing range of crops. This has provided them with adequate protection against monsoon—failures, pests, blights and so on. Sadly, the people who blame the traditional crop pattern of Kalahandi do not know that, by using the least amount of chemical fertilisers, pesticides or hybrid seeds, the farmers' per capita food production in Kalahandi is higher than that of Orissa and India.

There have of course been frequent crop failures in Kalahandi in the recent years, but they are neither due to meteorological nor agricultural drought. Economists, environmentalists and agriculture scientists will now have to coin a new terminology for this condition. The biggest irony however is that Kalahandi has been a food surplus district all this while despite the monumental crop failures.

During the year 1989-90 per capita food production of food in India was 203.13 kg and in Orissa it was 253.03 kg. In Kalahandi the same year, per capita food production was 331.86 kg which is much higher than the national average and about 30 per cent higher than the state average (Table 4). According to the final report by J Das on Land Revenue settlement in Kalahandi district (1946-56) "During the last twenty years there was no failure of crops (in Kalahandi) except in 1938-39, 1945-46, 1946-47 and partial failure in 1947-48. There was however sufficient reserve stock to meet the requirement of the people."

For the past decade or so intellectuals, planners, politicians and many outsiders have been using terms like 'deforestation', 'drought' and 'crop failure', etc, for the poverty of Kalahandi. Now some have begun pointing their fingers towards maladies like unequal landholdings and landlessness, etc, for the poverty of the district. Some of the following statistics will reveal how landlessness is contributing to the poverty of Kalahandi:

—Per capita cropped area in Kalahandi is 0.592 hectare which is the highest in Orissa. The state average per capita cropped area is 0.332 hectare.

—Total number of landholdings against the population is the second highest in Kalahandi in Orissa. Bolangir tops the list with 15.71 per cent followed by Kalahandi at 15.39 per cent. This figure for Orissa is 12.62 per cent. This clearly shows that Kalahandi and Bolangir have the least problem of landlessness compared to other districts (Tables 5 and 6).

—Recent statistics put the percentage of landless agricultural labourers at 31.03 per cent of the total population which is not a very high figure compared with most parts of Orissa/India. Some sample survey by NGOs have shown that the percentage of landless in reality is less than the government figure of 31.03 per cent.

—Economic survey of 1954-55 indicates that 98.2 per cent of tribals were dependent on agriculture for their livelihood, 68.2 per cent were owner cultivators and only 2.4 per cent were tenants (P-243, ODG-1980). The tribals in Kalahandi have been less dependent on MFP (forest) than the tribals of Koraput, Phulbani, Ganjam and hence deforestation is not the major reason for their impoverishment as some believe.

—As per the statistics of 1981, the density of population per sq km in Kalahandi was 114. This figure for Orissa was 169 and the average density of population for India was 216. One may compare this figure with the DOP of West Bengal which is 615, Bihar 402, Assam 254 or the neighbouring state MP with 118.

—The decadal population growth in Kalahandi during 1901 to 1991 have been always less than the state or national growth. Between 1971 and 1981 the variation has been +15.06 whereas it was 20.17 for Orissa and 24.66 for India.

An article in *Sunday*, (January 24-30), mentions that 26,000 "large farming houses hold 1,70,000 hectares of land and citing this statistics a senior government official emphasises the 'lopsided distribution' of land as the problem for the poverty of Kalahandi. This is a misleading statement since each of these 26,000 on an average own only 6,538 hectares of land and that too most of these lands are unirrigated. It is most unfortunate therefore that, while a large number of these 26,000 farmers are also reeling under poverty, they are branded as 'large farming households'."

In some of the better-off and more fertile districts of Orissa, the land distribution is even worse which can be seen from Table 7. So one cannot attribute lopsided distribution of land as a factor for poverty in Kalahandi.

In the land settlement of 1946-56 all the lands in Kalahandi had been classified into 20 different categories. Land having supplemental or protective irrigation facilities were put into the following categories: (1) Bahal Kharipani, (2) Berna Kharipani, (3) Mal Kharipani, (4) Bari Kharipani, (5) Bahal Pani, (6) Berna Pani (7) Mal Pani. These seven categories of

TABLE 1: RAINFALL IN KALAHANDI AND ORISSA (ANNUAL) DURING 1977-91

(in mm)

Year	Kalahandi	Orissa
1977	1354.7*	1327.5
1978	1360.1*	1333.2
1979	1068.8*	951.2
1980	1353.7*	1322.0
1981	1147.8	1480.0
1982	1116.9	1492.0
1983	1118.1	1660.0
1984	1395.9*	1018.0
1985	1755.2*	1607.0
1986	1362.0	1548.0
1987	1048.7*	1040.0
1988	978.0	1357.0
1989	1073.0	1284.0
1990	2214.0*	1866.0
1991	NA	1300.0
1992	N A	-

* Years in which Kalahandi received more rainfall than the state average.

Source: *Statistical Abstracts*, Government of Orissa.

TABLE 2: LAND USE IN KALAHANDI DISTRICT

Total cropped area	: 5,73,000 ha; Total geographical area 11,58,000
Percentage of cropped area to total geographical area	: 49.48
Percentage of forest area to total geographical area	: 48.1 (1989-90)
Percentage of paddy crop area to total area (cropped)	: 41.71 (1986-87)
Percentage of cropped area irrigated	: 9.21 (1986-87)
Population	: 13,39,000 (1981)

lands used to get supplemental or protective irrigation from tanks, 'katas', 'sagar' (lake) and other sources which were previously owned by the ex-rulers or private cultivators. It is estimated that in Kalahandi district, at the time of independence such land (having protective irrigation) comprised about 48 per cent of the total cultivable area. However, after independence most of these irrigation sources are 'nationalised' and in the absence of maintenance most of them are no more in a condition to provide any irrigation. This is a major reason why the total irrigated area in Kalahandi, instead of increasing, has come down to 9.21 per cent of the total cropped area as in the year 1986-87.

The few irrigation projects that have been undertaken in Kalahandi district so far are mostly renovation or expansion of the age-old irrigation tanks formerly owned by the royal families or a few Gountias (ex-village heads) (Table 8).

The people who have controlled the politics of Kalanandi as 'people's representatives' all have irrigated lands even though for most of them agriculture is not the primary source of living. Since most of them have hardly any interest in agriculture, they have not shown any interest to develop irrigation systems in Kalahandi. If a politician has fought for the Indrawati project, it is with the ambition of setting up an industry rather than for development of agriculture. If they had loved agriculture, they would have fought for projects like Lower Sundar, Indra, Sandul, Udanti, etc, which would benefit the so-called chronically drought-prone areas and bring benefit to the local people. As in the flood-prone areas, unscrupulous politicians have exploited floods, drought and poverty to mobilise votes. Despite the high rainfall, amazingly high production of foodgrains, vast areas of good quality agricultural land, comparatively a lowly populated area and abundant natural resources, it is a fact that a vast number of the people of Kalahandi have been reeling under acute poverty. To understand the causes of poverty in Kalahandi (and many other areas similar to Kalahandi) one may look at the following four phenomena which are all inter-linked.

Phenomenon-I: There is no mechanism for compensating occasional crop loss. Indebtedness of farmers increases due to (a) inadequate investment for subsequent cropping, (b) Maintenance of land is ignored—(i) Further reduction in output, ii) Indebtedness increases, (iii) Unemployment of agricultural labourers increases, and (iv) land transfer to non-agriculturists and non-subsistent farmers increase. One hectare of land in Kalahandi having protective irrigation has employment potential for about 280 person days per year whereas in distressed cultivation the same land is cultivated with an employment of about 80 person days per year.

Phenomenon-II: (a) Traditional sources of irrigation (tank, pond, kata, well, etc) are neglected and (b) Depletion of forest—particularly the village and 'patra' forest. Area with protective irrigation has got reduced and crop loss results in poverty.

TABLE 3: AREA OPERATED BY SIZE, CLASS OF OPERATIONAL HOLDING (1985-86)

	Number	Area	Per Cent of Total Area	Per Cent of Total Holdings
Below 1 ha	76,900	43,700	9.91	35.70
1 to 2 ha	60,900	83,000	18.83	28.13
2 to 4 ha	51,000	1,34,000	30.40	23.67
4 to 10 ha	23,500	1,32,600	30.08	10.90
10 and above	3,100	47,400	10.75	1.44
Total	2,15,400	4,40,700	—	—

TABLE 4: PRODUCTION OF CEREALS AND FOODGRAINS IN INDIA, ORISSA AND KALAHANDI (1989-90)

	Total Production of Cereals (MT)	Per Capita Product Per Year (Kg)	Per Capita Production Per Year (Gm)	Total Food Production (MT)	Per Capita Production Per Year (Kg)	Per Capita Production Per Day (Gm)
India	158010000*	188.10	515	170630000*	203.13	556
Orissa	6856900**	217.59	596	7973570	253.03	693
Kalahandi	351680**	220.90	605	528330	331.86	909

Source: * *India-1991*, Publication division, Ministry of I and B, GOI, p 541, Table 18.1 (excluding production of pulses).

** *Orissa Agricultural Statistics 1989-90*, director of Agriculture and Food Production, Orissa, p 29 to p 33, Table 20.

For the above computation population of India is taken as 840 million and the population of Orissa and Kalahandi are taken as 31.51 million and 1.592 million respectively. These figures are the Provisional Census figures for 1991. Against the population of 1990 the per capita production of foodgrain would have been slightly higher for all the above categories.

TABLE 5: OPERATIONAL HOLDING AREA OPERATED BY SIZE, CLASS OF OPERATIONAL HOLDING IN ORISSA, 1980-81

District	No of Holdings: Below One Hectare	1 to 3.99	4 to 9.99	10 and Above	Total No of Holdings	Per Cent of No of Holdings to Population	Per Cent of Landholdings to No of Total Household
Balasore	163551	138404	19453	1662	323070	14.34	87.07
Bolangir	93518	114422	17572	3746	229256	15.71	77.14
Cuttack	260800	191997	21403	1289	475489	10.27	60.41
Dhenkanal	90335	108970	10184	781	210270	13.28	73.94
Ganjam	195924	110964	15179	1909	323976	12.13	61.49
Kalahandi	61099	120587	21102	3333	206111	15.39	73.58
Keonjhar	63070	72121	8212	495	143898	12.91	68.83
Koraput	108609	151502	42663	4904	307678	12.38	57.43
Mavurbhanj	113800	102147	14777	887	231611	14.64	76.34
Phulbani	48169	52785	7846	950	109750	15.30	70.01
Puri	210277	107184	13500	1155	332116	11.36	65.22
Sambalpur	107979	148175	32917	5638	294709	12.92	61.28
Sundergarh	42528	82134	13897	1657	140216	10.48	53.19
Orissa	1559657	1501382	238705	28406	3328150	12.62	66.49

Source: *Agricultural Census Report*, 1970-71, 1976-77 and 1980-81; *Statistical Abstract Orissa*, 1985, pp 131, 132. The number of households in different districts taken from the Census of 1981. It is assumed that each landholding is owned by one household; the number of landless in Kalahandi will be 26.42 per cent of the total population.

Phenomenon-III: (a) Depletion of cottage industries (weaving, paddy dehusking, oil extraction, etc) and (b) Depletion of forest—(i) Employment in off-farm activities has gone down, (ii) Fodder deficit for cattle has an adverse effect on crop production, (iii) Increasing migration, and (iv) Depletion of forest causing drying up of streams and has effected winter cropping which used to compensate for occasional monsoon crop losses.

Phenomenon-IV: Increased yield in the command area of Hirakud Dam has meant that paddy growers in rainfed areas face stiff competition from paddy growers in irrigated areas. This has also ruined the economic condition of farmers in non-irrigated areas of Sambalpur, Bolangir and Sundergarh districts. There has been a fall in the purchasing power of local people, a fall in the demand for paddy from Kalahandi and non-remunerative prices for paddy from Kalahandi outside and in Kalahandi. Supply of foodgrain relief from outside has discouraged growth of local food production, further reducing the demand of local food produce. The government support prices for paddy is not remunerative for the farmers in rainfed areas. In 1982-83 the support prices for paddy (common/per quintal) was Rs 122 which was not adequate at all. During the period 1982-1992 the cost of production has gone up by four to five times and hence in 1992 the support price of paddy should be at least Rs 450 per quintal. But the government has fixed it at Rs 280. Moreover during November 1991-January 1992 in Kalahandi (also in many other pockets of Orissa) the actual price of paddy was between Rs 180 and Rs 220 per quintal. This has been pauperising the farmers and leading the entire population into the grip of poverty. The traders and moneylenders in Kalahandi—who also control the political power and the bureaucracy, have been flourishing while the local farmers are sinking in poverty.

Is there a solution? The problem of Kalahandi is primarily due to the negligence of agriculture and the farming sector and not due to the deficit in rainfall or any natural disaster. The problems are totally government-created. The Indravati Project which is under construction will worsen the condition of the people of non-irrigated areas in Kalahandi, Koraput, Bolangir and Sambalpur districts. The following are some recommendations to improve conditions:

(1) *Agriculture Development and Watershed Development Approach:* The traditional irrigation system in Kalahandi has always been based on micro-watershed development. So the extension of the micro-watershed development could bring a revolutionary change in Kalahandi. Because of the typical landscape of Kalahandi, most of the villages form a number of micro-watersheds and there is therefore a tremendous potential for their development which could provide protective irrigation during the kharif and winter harvest seasons. In fact the farmers have been developing the micro-watersheds quite scientifically, which has been discontinued after government interventions. Impoverishment of the farmers in the post-independence period has also been another reason. A rough estimate shows that to develop the micro-watersheds in the non-irrigated areas of Kalahandi to provide protective irrigation to about 80 per cent of the cultivable land in the district, an amount of Rs 5,000 million will be required which is about half the cost of the Indravati Irrigation Project. This can be spent over a period of 10 years. This will also create additional employment for 3,00,000 people every year. Food production can be multiplied by four to five times and the returns will be enormous.

This will also pave the way for development of industries, trade and commerce in the district. Kalahandi alone has the potential of producing an extra one million tonne of foodgrains, if the micro-watersheds are properly developed.

(2) *Stop medium/major irrigation projects pipeline:* These projects will only increase regional disparity and adversely affect the people.

(3) *Stop import of foodgrains from outside*: The 'relief' approach of government/NGOs needs to be stopped. All food for work programmes, free food

TABLE 7: DISTRICTWISE LAND DISTRIBUTION

District	Total No of Holdings above 4.00 Hectares (A)	Percentage of 'A' Category to Total No of Holdings	Percentage of Total Land Owned by 'A' Category
Balasore	21115	9.28	27.69
Cuttack	22692	4.77	22.21
Ganjam	17088	5.26	27.50
Sambalpur	38555	12.07	43.72
Puri	14655	4.40	24.01
Kalahandi	24435	11.84	37.68
Orissa (Average)	267106	8.02	32.37

TABLE 8: BENEFICIARIES OF IRRIGATION PROJECTS

Name of Project	Beneficiary
Pipal Nalla MIP*	The Family members of former ruler of Kalahandi
Jamuna Sagar MIP**	"
Devisagar MIP**	"
Karuna Sagar MIP**	The Gountia family of Kasrupara
Asurgarh MIP**	No additional benefit to any farmer
Bandamunda MIP**	Additional benefit is negligible
Ashasagar MIP**	Government agricultural farm only

* During state rule there was a diversion which was made pucca after independence.
** It is improvement of an existing 'kata'

TABLE 6 LANDHOLDINGS AND PERCENTAGE OF LAND OWNED BY DIFFERENT CATEGORIES OF HOLDINGS IN DIFFERENT DISTRICTS OF ORISSA, 1980-81

District	Below 1 Hectare		1 to 3.99 Ha		4 to 9.99 Ha		10 Ha and Above	
	Percentage of Total Holdings	Percentage of Total Area	Percentage of Total Holdings	Percentage of Total Area	Percentage of Total Holdings	Percentage of Total Area	Percentage of Total Holdings	Percentage of Total Area
Balasore	50.62	16.20	42.84	56.09	6.02	22.86	0.51	04.83
Bolangir	40.79	11.23	49.91	52.30	7.65	23.50	1.63	12.94
Cuttack	54 84	21.38	40.37	56.40	4.50	19.31	0.27	02.90
Dhenkanal	42.96	15.70	51.82	62.75	4.84	18.02	0.37	03.51
Ganjam	60.47	23.76	34.25	48.72	4.68	20.31	0.58	07.19
Kalahandi	29.64	08.37	58.50	53.93	10.23	27.41	1.61	10.27
Keonjhar	43.82	15.33	50.11	62.19	5.70	20.32	0.34	03.03
Koraput	35.29	09.52	49.24	44.68	13.86	36.09	1.59	09.69
Mayurbhanj	49.13	18.80	44.10	54.31	6.38	23.27	0.38	03.60
Phulbani	43.88	14.61	48.09	55.59	7.14	22.80	0.86	06.98
Puri	63.31	25.87	32.27	50.10	4.06	19.69	0.34	04.32
Sambalpur	36.63	10.03	50.27	46.22	11.16	30.37	1.91	13.35
Sundergarh	30.33	08.50	58.57	56.14	9.91	27.60	1.81	07.74
Orissa	46.86	15.05	45.11	52.56	7.17	24.93	0.85	07.44

Source: *Statistical Abstracts of Orissa*, 1985, DES, Orissa, Bhubaneswar.

distribution needs to be stopped. The government has to ensure fair price to all agricultural produces by strengthening the marketing network.

(4) *Support services for the farmers to be built-up and strengthened:* There has been no cold storage and other infrastructures in the district for which onions, potatoes and other vegetables and fruits of the district are procured by the traders at throw away prices and exported to Raipur to be imported later for sale at high prices in Kalahandi. The nexus between politicians, traders and the bureaucracy has to be destroyed. This entails a long-term process of political and social education of the people for this alone holds the key to development in the district. Without this, no development programme will have any impact on the district.

The policies of the state and national governments as well as the policies at the global level have been directly affecting the common man living in any part of the earth. The recent changes in our government policies is going to have a tremendous impact on the life of the common people. This is likely to encourage stronger regional competition for 'survival'. So, unless the people in Kalahandi are helped to be alert and active in advance, they may get pushed further down.

The problems of Kalahandi are not unique. Many other so-called drought-prone areas of Orissa and adjoining Madhya Pradesh and Bihar have more or less the same type of problems. Fortunately, there has been a growing consciousness among the common people of Kalahandi in recent times and a number of formal and informal groups have come up to address to the issues of Kalahandi. In the administration also, there are more people now who are willing to delve deeper into the issues of Kalahandi.

Fix it, Forget it: Norplant and Human Rights

Vimal Balasubrahmanyan

In India much of the controversy over Norplant has got bogged down in a nit-picking argument over its safety. The point is that even a 'safe' drug can be used to violate human rights in a coercive population control programme.

MUCH has been written on the risks of introducing long-acting hormonal contraceptives in third world countries. The arguments include: doubts over long-term safety; unacceptable side-effects, particularly chaotic menstrual bleeding; women being urged to accept these methods without being told what side-effects to expect; and women being experimented upon with new drugs without informed consent.

The above arguments are all valid in the current campaign in India against introducing Norplant, a hormonal implant which, once fixed, is expected to give contraceptive protection for five years.

In addition, there is a possibility of violation of human rights in the Norplant programme which did not exist in mass distribution of pills and in mass experimentation with injectables. Women on pills or injectables can simply discontinue these methods if they cannot endure the side-effects. By throwing away the pills or refusing to turn up for the next injection. Not so with Norplant.

Undoubtedly it was the need to 'fix' potential drop-outs that led to the development of an implant. An ideal fix-it, forget-it method, guaranteed to satisfy not the user but the service-provider. Of course, 'removal on request' is a provision duly included, but for all practical purposes it remains a paper promise.

A health activist in Baroda gives me the example of a woman who received Norplant during Phase II trials of the drug in the 80s. Because of constant bleeding she was being physically abused by her husband for denying sex, and by her mother-in-law for not being able to work in the kitchen. Each time she went to the hospital and asked for removal she was put off with an excuse: The bleeding will stop; it is nothing to worry about; the doctor is not here today; put up with it a little longer; next time we will see; etc. Eventually, after about eight visits stretching over several months, the implant was removed when the woman threatened to commit suicide.

A member of a women's group in Baroda gives me a similar example of a woman whom she interviewed last year. The side-effects were too much, but it was only after repeated visits to the hospital that the implant was finally removed. In this instance, she was not only made to run around by the hospital staff, but was also pressurised to retain the implant by her brother-in-law who was a hospital employee.

Both activists have reported that hospital authorities refuse to divulge the names of Norplant acceptors, making it next to impossible to monitor the programme. And it was only because of their broader community level work that they were able to identify a few women who had received Norplant. Nurses who are themselves on Norplant are tight-lipped and refuse to discuss their experiences. One cannot even be sure, therefore, if they are truly willing acceptors. The secrecy shrouding the programme makes its human rights dimension highly suspect.

The above are not two stray instances. They are examples reflecting what is going on in other third world countries where Norplant programmes have been introduced.

Studies in Family Planning (Volume 21, No 2, March-April 1990) has a report assessing 'acceptability' of Norplant in the Dominican Republic, Egypt, Indonesia and Thailand. The gist of it is that in all four countries there were reports that removal on demand did not occur to the 'satisfaction of the user'. In Thailand doctors insist that users should continue the method because it is costly. Thai women getting Norplant are routinely told that because it is a long-term spacing method, it will not be removed for 'minor side-effects'.

The report states, somewhat mildly, that service providers need to distinguish between helping a woman cope with side-effects and coercing her to continue a method she has decided against. And adds that such coercion is equivalent to 'usurpation of a patient's right to removal on demand'.

In India much of the controversy over Norplant has got bogged down in a nit-picking argument over its safety. The point is that even a 'safe' drug can be used to violate human rights in a coercive population control programme. State terrorism can take unexpected forms, and Norplant is neither merely a feminist issue, nor is it merely a health issue. It needs also to be included on the agenda of those campaigning for the protection of human rights.

Patenting Gene Fragments

Arun Agrawal

In the US, the National Institute of Health's attempt to patent partial cDNA sequences corresponding to gene fragments in human brain tissue has sparked off a controversy which impinges on ethical issues and is critical to the evolution of the patent law on human interventions in naturally occurring substances.

TECHNOLOGICAL developments and changing concepts of property shape struggles over ownership. At one level, the emergence of patents, trade secrets, copyrights, trademarks and mask works[1] constitute simply a recognition of rights in intellectual property—a reward to innovation. At quite another, patents and similar legally enforceable property rights are another step in what seems the inexorable march of commodification. One can interpret in either manner the latest controversy over intellectual property rights, the attempt by the National Institutes of Health (NIH) in the US to patent nearly 3,000 partial cDNA sequences corresponding to gene fragments (also called 'expressed sequence tags' or ESTs)[2] in the human brain tissue.[3] Significant ethical issues are involved. At what point do the results of human interventions in naturally occurring substances become patentable? At what point does life itself become patentable?

The US is arguably the world leader in biotechnology research. Not only is it the leader, it also remains the one world power that has exhibited the greatest willingness to flex its economic muscle in the cause of stricter worldwide intellectual property regimes.[4] For a country like India, any major development in the US patent law regarding biotechnology signals a potentially profound impact. Precedents about what can be patented will in the long run influence hundreds of millions of households in all developing countries.[5] The current controversy may influence the development of crucial drugs for cancer, AIDS and cardio-vascular diseases. At the same time, although the interests of developing countries are vitally at stake, we have little say in the developments in this field because we participate only to a limited extent in biotechnological research that uses the latest techniques.

The current controversy possesses four aspects that merit attention. First, what is the relationship of the controversy to product development and commercial applications of scientific discoveries? Patents are usually seen to promote new product development. But patenting each step in the process of discovery of a useful invention may lead to excessive licensing fees. The cumulation of rents as each step of the process is patented, in effect, increases the fixed costs of 'supplying' new, commercially valuable research and products. Thereby it deters commercial advancement of a new discovery. Second, what problems does this dispute in the existing patent law in the US? A final decision in this dispute will be critical to the evolution of the patent law. The dispute calls into question a basic issue in patenting—whether patents can be sought purely on the basis of knowledge about the structure of a substance, rather than on the basis of knowing its function. Indeed, other criteria which are used to determine whether a patent is warranted—non-obviousness and novelty—are also being questioned. Third, how will a decision in this case affect communication and exchange of information among scientists? If scientific discoveries begin to be patented, free exchange of information and subsequently innovation are bound to suffer. And finally, what does this controversy bode for the interests of developing countries?

Although the controversy is far from being resolved, the most recent chapter in the story came to an end when the Patents and Trademarks Office (PTO) of the US rejected the patent claims of NIH in August this year.[6] The beginnings of the story can be traced back to 1980 (Table 1). That year, in Diamond v Chakrabarty, the US Supreme Court ruled that genetically engineered micro-organisms can be patented,[7] overriding the initial patent office determination that living organisms cannot be patented. The 1980 ruling boosted the US biotechnology industry enormously. In 1988, the PTO awarded Harvard University a patent for a strain of mice which were highly susceptible to cancer. The susceptibility to cancer had been produced using genetic engineering techniques. Both of these decisions, deemed to facilitate product development and commercialisation of biotechnology, provoked enormous criticism on ethical grounds. Many commentators argued that it is unethical to patent gene sequences since these are part of the universal natural heritage of humanity. The NIH patent applications last year for more than 2,750 partial cDNA sequences isolated in Craig Venter's laboratory touch on similar and equally fundamental issues. While the applications predictably triggered complaints about the detrimental effects on scientific research and communication,[8] this time even those who believe in the necessity of patents for product development are divided on the issue.

According to NIH, there is little cause for either confusion or concern. It has claimed that its application made policy discussion on the issue possible, without any single individual securing the right to apply for the patents. This public spirited explanation, however, does not hold water. The NIH action has drawn tremendous criticism. The PTO has rejected the application. The Bush administration has expressed its lack of sympathy for the applications. But the NIH director, Bernadine Healy, is publicly committed to pursuing the applications further. Three other factors may be cited in the support of NIH. Since 1986, the US government has encouraged patenting inventions that result from federally funded research. The government believes that exclusive licences on patents will encourage private investors to commercially exploit new discoveries. The NIH is, therefore, only following federal policy. Second, if Venter had published his results, it would later have become difficult to patent useful proteins that were based on the sequences that he had derived. Difficulties in patenting would arise especially if his work made the subsequent discovery 'obvious'.[9] NIH's insistence to patent thus demonstrates its desire to guard against an uncertain future where because of the diffusion of knowledge into the public domain it would become difficult to gain exclusive rights over new products. Finally, if the NIH did not file for patents, the option to apply would pass on to Venter who, in the meantime, has left the NIH.

It may seem then that the NIH had some justification in pursuing patents for the cDNA sequences that Venter identified. However, such a conclusion can be made only if it is indeed the case that patenting the sequences would promote product development. How can that be decided? Statements from the biotechnology industry in the US provide one indicator. A majority of the companies have indicated that the cDNA patents, if granted to the NIH, would actually hurt the industry. The Industrial Biotechnology Association in the US[10] passed a

unanimous resolution in June 1992 that the NIH should pursue patent applications on genes only when the complete coding region (rather than fragments) and its biological function are known. The Association of Biotechnology Companies (ABC) supported the NIH decision to file for patents but qualified its support by suggesting the NIH should grant non-exclusive licences on the patents it receives. Such licences will possibly provide the NIH some return on its investment in genome research. But if the NIH grants non-exclusive licences, the cause of product development will surely be ill-served. Since the stated objective of the NIH is not to seek financial returns but to promote product development, the support from the ABC is ambiguous at best, because the ABC does not believe that the strategy followed by the NIH will fulfil the stated objective of encouraging product development in biotechnology companies.[11] The third major association in which biotechnology companies are members, the Pharmaceutical Manufacturers Association, also opposes the patenting of genes whose function is not known, since it "would inevitably impede the research and development of new medicines in this country (the US)".[12] It is remarkable that the biotechnology industry should feel this way because, quite demonstrably, the success of the industry depends on as strict a patent regime as possible regarding commercialisable products.[13]

The adverse reaction of the biotechnology industry forms one indicator of the desirability of the NIH applications. We can also investigate the impact of the NIH action on product development analytically. Whether NIH patents will promote the commercial development of products depends on the kind of patents it secures. The NIH application seeks patents for the cDNA that have been isolated and the genes or longer sequences of which they form part. But at present, even Venter has no idea about the function(s) that the cDNAs and associated proteins may perform.[14]

In Brenner v Manson[15] the US Supreme Court held that nothing could be patented that did not possess a use apart from being an object of scientific inquiry.[16] Patenting, in other words, requires that the material or process to be patented possess 'substantial' utility, and that it be of "specific benefit in currently available form".[17] The NIH has attempted to get around this objection by identifying relatively trivial uses for its sequences: it argues, for example, that they can be used as genetic markers, or as probes in identifying new genes. Since the US law grants patents for all possible uses of a patented invention or material, if the NIH receives the patents it will benefit not just from the uses it has identified for the isolated cDNAs but for all possible uses for all the sequences of which its cDNAs form a part. The real purpose of the NIH, one feels compelled to conclude, seems to be to "control individual DNAs and thereby commerce in the proteins they encode".[18]

This attempt by the NIH to control future developments in gene identification and to benefit from the efforts of later innovators goes quite beyond the provisions of the US Technology Transfer Act of 1986. More importantly, perhaps, it reveals substantial deficiencies in the US patent law which some have, ironically, called the most 'progressive' patent system in the world. It is because of these shortcomings in the law that Venter can file for patents on 'inventions' that are churned out by the computer at the rate of a thousand a month.

The deficiency in the current US law regarding the issue of utility stems from the historical development of the patent law. The system of patents was created to provide an exclusive but finite control over inventions that had a practical use so that the inventor would have incentives to sink time, finances and effort into a new idea that may finally turn out not to have any practical implication. The patent system is thus designed to distinguish between 'pure research', where the discoveries and findings should remain in the public domain, and applied technological research which is more closely related to the marketplace. In biotechnology, however, it is exceedingly difficult to differentiate between pure and applied research. With

TABLE: IMPORTANT STEPS IN THE COMMERCIALISATION OF BIOTECHNOLOGY

Year	Significant Events
1973	First gene cloned
1975	First hybridoma created.
1976	First firm to exploit rDNA technology founded in the US (Genentech). Genetic Manipulation Advisory group started in the UK
1980	Diamond v Chakrabarty, US Supreme Court rules that micro-organisms can be patented. Cohen/Boyer patent issued on technique for rDNA. Spinks' Report in UK, Biotechnology targeted for Research and Development. FRG targets biotechnology for R&D. Initial public offering by Genentech– sets record for fastest price increase ($35 to $89 in 20 mins).
1981	First Monoclonal Antibody (MAB) diagnostic kits approved for use in the US. Japan targets Biotechnology. Over 80 new biotechnology firms formed in the US.
1982	First rDNA animal vaccine approved for use in Europe First rDNA drug for human use (insulin) approved in US and UK
1983	First expression of a plant gene in a plant of different species
1985	Advanced Genetic Sciences Inc receives first experimental use permit issued by EPA for controlled environmental release of a genetically altered organism.
1986	Technology Transfer Act of the US—allows for patenting of federally-sponsored research.
1987	The US Patents and Trademarks Office announces that non-human animals are patentable
1988	NIH establishes programme to map the human gene. First US Patent issued on animals—a transgenic mouse engineered to contain cancer genes
1989	Court in FRG stops construction of a test plant to produce genetically engineered insulin Bioremediation gains attention as microbe-enhanced fertiliser used to battle Exxon Valdez oil-spill.
1990	First bio-engineered food additive approved by the US FDA on Renin, enzyme used to make cheese. FRG enacts Gene Law to govern use of biotechnology. Human gene therapy clinical trials approved.
1991	Biotechnology companies sell $17.7 billion in new stock. The US EPA approves the first genetically-engineered biopesticide for sale.

Source: Table adapted from US Congress, Office of Technology Assessment, ***Biotechnology in a Global Economy***, OTA-BA-494, US Government Printing Office, Washington DC, October 1991.

the possibility that each new discovery or advance in the academic's laboratory may lead to future commercial applications, the boundaries are becoming increasingly blurred.

Thus, although it may in the past have seemed inconceivable that anyone would go to the trouble of inventing something that did not have utility, and further, would want to patent such 'useless' inventions, the manner in which developments take place today in biotechnology means that there is a significant possibility of new uses being discovered for materials that have simply been identified. The observable consequence of this prospect is that patent applications are generated on every step of the way from the initial discovery to the possible final marketplace application. The NIH application reflects this phenomenon. It seeks to control the undiscovered uses of the proteins encoded in human genes rather than merely the uses for the cDNAs noted in its application. Here an analogy is illustrative. The NIH attempt has been compared to someone claiming huge plots of land on the possibility that there may be gold underneath. As Robert Merges, professor of law at Boston University notes, mining laws in the US protect against this kind of action. There are limits to what can be claimed, the land must be worked for the rights to mature, and according to him, a similar law is needed in the context of the cDNA patents.

The debate on the NIH patent applications is indisputably intricate on grounds of utility and with respect to the ethics of monopolising the humane genome. On technical/legal grounds of novelty and non-obviousness, the applications are even more problematic.[19] Novelty means that an invention should not have existed in the public domain prior to the filing of a patent. Non-obviousness means that a person of 'ordinary skill' should not have been able to come up with the claimed invention using existing knowledge and techniques. The NIH cDNA sequences have been derived using conventional techniques to cDNAs available from a commercial cDNA library. And while the gene fragments may in the future turn out to possess unexpected properties, the characteristics identified in the patent applications, at least, are entirely predictable ones.[20]

If the NIH is ultimately granted the patents, this would open the field to all laboratories and researchers who have access to the widely-known technology used by the NIH to derive the partial cDNA sequences. Venter alone has received $70 million to continue his work on an even larger scale at the privately funded new organisation 'Institute for Genomic Research' that he has joined. The institute has been founded to commercialise genome research.[21] It will initially focus on sequencing cDNA, the one area of genome research that most analysts agree possesses relatively short-term commercial potential.[22]

Market Potential

The human genome has some 1,00,000 genes. If we consider Venter's vow to identify 2,000 genes every week, he is clearly in a position to patent the entire human genome in short order. Wallace Steinberg, the financial backer of the Institute of Genomic Research, believes that as many as 20,000 of the genes could provide leads for drug development.[23] Even if only a few of the genes express medically useful proteins, the persons who can patent partial cDNA sequences for them would be sitting very pretty. The long-term commercial potential has not been lost on other investors on Wall Street. Frederic Bourke, a wealthy entrepreneur, intends to start a sequencing company with an investment of $ 50 –60 millions. Other investors are maintaining careful watch (e g, the Maryland-based Genetic Therapy Inc).[24] The interest of Wall Street is not misplaced. Several block-buster drugs have been developed employing biotechniques and enormous profits from new bio-drugs are a distinct possibility.[25] However, if patents are granted on discoveries that have no obvious current utility, not only may future product development become more uncertain, new investment may also be deterred.

The current controversy over patenting cDNA becomes all the more significant since many of the bio-drugs that are finally developed will use DNA or messenger RNA. The international patent regime that will greet the products of biotechnology companies as the products are sold in global markets will determine who benefits, in what manner, and to what extent. If the PTO begins to grant patents on the basis of the structure of the cDNAs alone, it seems obvious that a very small number of individuals will gain a Full Nelson on the human genome. It seems equally obvious therefore that when patents are granted for particular substances, only the known uses of these substances should be patentable—not all possible uses including those that have not been discovered.[26]

In short, only slim grounds exist for granting patents to the NIH on the cDNAs it has claimed. In light of this, the initial ruling by the PTO to reject the NIH patent applications is heartening. The applications were rejected on all the three grounds of utility, novelty and non-obviousness. The sequences lacked obvious utility since their value as probes was not clear; they lacked novelty since they were derived from a publicly available collection; and they lacked obviousness since many of the base sequences of the fragments had already been published in the literature.[27] But at the same time, the NIH director, Bernadine Healy, has asserted that the NIH had anticipated the response of the PTO all along, that such rejections are routine at the first stage of an application, and that the NIH is going to revise and file new applications soon.

The dispute, as it unfolds at the level of the major participants in the debate seems to shed little light on how it can be resolved. Even the courts, should the matter be referred to them in the course of time (as it undoubtedly will be), have few legal guidelines in the matter. What is available as guideline is case law. But it makes little sense to rely only on court decisions made in the past for future developments since the past is so inadequate a guide in this rapidly evolving field. New legislative remedies must be provided, and they must take into account the fact that just a few researchers can use partial cDNA sequences to patent the entire human genome in a matter of years using fairly limited resources. The same techniques used for sequencing the human DNA can also be used for other organisms that seem to possess commercially potential—providing a means to gain patent rights on these other organisms too. It makes neither economic, nor ethical, nor political sense then, to effectively grant a few individuals monopoly rights over all possible drugs developed using DNA from living organisms.

Because this case holds enormous ethical, political and commercial portent, it is regrettable that the US has refused to see any need for new legislative or policy guidelines in the matter. D Allan Bromley, the science advisor to George Bush, believes that there exists no need for a policy initiative since the PTO will not approve the NIH application. He has also rejected the need for any international treaty on the subject since such a treaty would be like 'using an elephant gun to kill a butterfly'.[28] What Bromley does not anticipate is that in the absence of a policy, controversies similar to the NIH applications can also be guaranteed in the future.

On this issue (as of course on many others), the stand taken by the Bush administration in the US White House seems confounding. One of the primary reasons cited by the NIH to defend its actions is

the US government policy of encouraging patenting of research results. But if the US government is against the patenting of partial gene sequences, a clear statement to the effect would clear much confusion and prevent international ill will. By expressing the hope that the patent claims will be rejected, while at the same time rejecting the need for any clear or consistent policy, the US government is sending mixed signals not just to the NIH but to all researchers in the field, and to the PTO itself. The government, in effect, seems to be saying that case-by-case decision-making is the optimal policy in highly controversial situations since it is difficult to reach agreement on the principles involved. This, however, is an invitation to 'muddle through', evidently the policy option universally preferred by bureaucracies and politicians. It avoids unpopular stances and uses a logic of justification to rationalise decisions that in the long run often prove harmful.[29]

The pernicious effects of the NIH action on international genome research are already being felt. The Medical Research Council in Britain has followed the action of NIH and has decided to keep its genome database to itself.[30] David Galas, the director of the US department of energy, has warned that pursuing patents of partial gene sequences is likely to lead to further disputes, "inhibit real innovation", and create patents that are "all but useless". Axel Kahn, the research director of the French Science Agency INSERM, has expressed firm French opposition to patents on partial sequences and has accused the NIH of exaggerating the risks of not patenting.[31] Indeed, most European governments have deplored the NIH policy. At the same time, France, England and Japan have sought an international treaty to prevent patenting of substances whose function remains unknown Patent rights over a discovery have not yet incited situations where those using the discoveries for further academic research are sued by the patentholders. But if patents begin to be granted for substances and processes whose functions are barely known, suing those who use a patented discovery for scientific research would become a very real possibility. The adverse impact of such a situation on new research and innovation can be readily imagined.

The final decision on this case will critically influence issues of free scientific exchange in research, product development and safeguarding inventor's rights, patenting of substances on the basis of structure rather than function, and requirements on patent applications regarding the utility of the invention, its novelty and its obviousness. For these larger reasons the case is significant. But for the specific issues concerning sequencing and mapping of the human genome,[32] the case may prove to be less significant because the knowledge about the human genome may be soon available in the public domain.[33] The Human Genome Project, an international collaborative research project, is also sequencing and mapping the entire human genome using a structural approach to begin with. Once the structure of the human DNA has been identified, research on identifying the functions can proceed. It is interesting to note, therefore, that when the genome project was established, both the Office of Technology Assessment, and the National Research Council in the United States decided not to patent gene sequences. Two of the 24 human chromosomes have already been fully mapped by the Human Genome Project. In view of the vast amount of information that the project is going to uncover, it is reassuring at least from the point of view of developing countries that many of the researchers involved with the Human Genome Project believe that the Genome databases they create should be open to anyone with any interest for any reason.[34] Others criticise the approach of scientists like Venter whose "primary concern (is) chipping off profitable pieces of the genome".[35] Many of the Genome Project scientists argue that the idea is to decode information that is valuable to the entire human species. If these researchers have their way much of the knowledge represented by the cDNAs, and relatedly, their commercial potential may pass into public domain. Fittingly, it would be quite independent of the final outcome of the NIH case.

For developing countries, the current case promises to set precedents that will significantly affect future developments in new technologies. There is a large class of diseases that may prove amenable to treatment by drugs developed using bio-technologies. The natural immune system is relatively ineffective in coping with some organisms that can either shuffle the genes of their surface proteins, or may be too large or complex for traditional methods of medicine to yield answers.[36] It may be only through the use of highly advanced technologies that any solutions to such diseases become available. Similarly, gene technologies are beginning to provide important tools in diagnostics as well as therapeutics. Further, many of the human diseases are of genetic origin. The Human Genome Project will therefore, in time, provide a picture of genetic pathology that will prove invaluable in identifying the presence of genetic factors that predispose individuals to certain kinds of diseases. A

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conclusion of the cDNA patent applications in favour of the NIH will make it that much more difficult for the developing countries to gain the benefits of new technologies and possibly the benefits from the Human Genome Project. Finally, a decision favouring the NIH may also close off for us future options for researching the human DNA that we may wish to keep open.

The final decision in this case will also affect other genome projects. Computer technology continues to register phenomenal advances in storing data and processing information. Electronic chips capable of storing gigabytes of data will be used commercially in less than 10 years. Matching processing speeds for data retrieval and processing are equally imminent. As computer technology makes gene sequencing and mapping more cost-effective, there will be genome projects for other living organisms that possess commercial value.[37] The United States department of agriculture (USDA) has already initiated a plant genome project and is planning an animal genome project with the object of obtaining genome maps for all major crop species important to the US. (These include corn, tomato, rice and soybean. Animal species such as swine and cows are included). Genome projects are also under way in the European Community and Japan. Gene maps and sequences obtained from the genome projects will be used to manipulate genes in crop and animal species that code for desirable traits such as hybrid vigour, disease resistance, drought resistance, resistance to temperature variations and to cold, salt tolerance, better taste, and production of specific substances.[38] Since it is now possible to accomplish cross-species gene splicing using rDNA techniques, the above wish list is not as far-fetched as it may seem.

Ignoring technological and legal developments that take place in the US and other western nations will prove not just a short-sighted policy. It is also detrimental to the interests of the developing countries in the immediate run. We must attempt to gain a share in emerging technological developments, create indigenous research capacity and match our legal provisions to changes taking place in the west, especially changes in the US. The only other option is to foreclose future options.

Notes

[I wrote this paper as a Ciriacy Wantrup postdoctoral fellow in the department of forestry and resource management at the University of California, Berkeley. I gratefully acknowledge the comments and support I received from Sabine Engel, Vinay Gidwanj and Jeff Romm while writing the paper.]

1 For a discussion of these five forms of intellectual property rights, see Robert M Isherwood, *Intellectual Property and Economic Development*, Westview Press, Boulder, 1990:12-28.

2 See Thomas D Kiley, 'Patents on Random Complementary DNA Fragments?' in *Science*, 257 (August 14, 1992):915.

3 With a $ 9 billion budget, the NIH is possibly the largest and the most successful research agency in the world.

4 Rohini Acharya, 'Intellectual Property, Biotechnology and Trade: The impact of the Uruguay Round on Biodiversity', ACTS Press, Nairobi, Kenya, 1992.

5 On this issue see Kenney Martin, 'The University in the Information Age: Biotechnology and the Less Developed Countries', *Development*, 4, (1987):60-67.

6 *Science*, September 25, 1992. For a more detailed analysis of the rejection of the NIH claim, see *Science*, Vol 258, (October 9, 1992):209-10.

7 Diamond v Chakrabarty, 447, US 303 (1980).

8 On the relationship between patenting and free scientific exchange of information in a related controversy, see Michael MacKenzie, Peter Keating and Alberto Cambrosio, 'Patents and Free Scientific Information in *Biotechnology*: Making Monoclonal Antibodies Proprietary', *Science, Technology and Human Values, 15:1, (Winter 1990): 65:83.*

9 Patents cannot be granted in the US on discoveries that are obvious—that could be made by a person of 'ordinary skill' using information available in the public domain, 35 USC 103 (1952).

10 The Industrial Biotechnology Association (IBA) controls 80 per cent of the US investment in biotechnology. See R G Adler, 'Genome Research: Fulfilling the Public's Expectations for Knowledge and Commercialisation' in *Science*, Vol 257 (August 14, 1992): 912.

11 Rebecca S Eisenberg, 'Genes, Patents and Product Development' in *Science*, Vol 257, August 14, 1992:907.

12 Quoted by Eisenberg, 1992, p 907.

13 It is interesting in this context to note that the NIH director, Bernadine Healy, has used the positions taken by the Industrial Biotechnology Association and the Association of Biotechnology Companies to assert that actually the NIH applications are supported by the biotechnology industry. See *Nature*, Vol 357 (May 28, 1992): 270.

14 Thomas D Kiley, 'Patents on Random Complementary DNA Fragments?', *Science* 257 (1992):915.

15 This was a case in which a novel steroid was involved.

16 Brenner v Manson, 383 US 519 (1966).

17 Brenner v Manson, p 534-35.

18 Kiley:916.

19 In fact, purely on grounds of utility, the patent applications seem to be on somewhat firmer legal grounds—even if the law itself is questioned.

20 Eisenberg, *Science*, 905.

21 *New Scientist* (July 11, 1992):7

22 *Nature*, Vol 358 (July 16, 1992):180.

23 *Science*, Vol 257 (September 18, 1992):1620.

24 See *Nature*, Vol 355 (1992):483; Vol 358 (1992):180.

25 Genentech, the maker of gene-spliced human insulin, earned $210 million in revenues in 1990 and sparked a "cascade of research into blood clotting" with its t-PA (tissue plasminogen activator). Cetus Corporation's discovery of polymerase chain reaction has "revolutionised diagnostic testing". Amgen, another biotechnology company, is likely to climb into the Fortune 500 on the strength of its patents over the protein called erythropojetin (EPO) and Neupogen (see *Scientific American*, January 1992:134). In terms of fresh investment, 35 biotechnology companies drew more than a billion dollars in initial public offerings in 1991, ending the drought of the late 1980s. The drugs biotechnology companies may discover for treating allergies, cancer and auto-immune and cardio-vascular diseases promise to have far-reaching impact (see articles contained in the special report on biotechnology in *Science*, Vol 256, May 8, 1992).

26 This is, indeed, already the case in Europe. See Article 54(5), European Patent Convention. See 'Hydropyridine', FRG Federal Court of Justice, September 20, 1983, Case No XZB 4183.

27 *Science*, Vol 263 (September 25, 1992).

28 *Nature*, Vol 358 (July 16, 1992):180.

29 See John Mendeloff, 'Politics and Bioethical Commissions: Muddling Through' and the 'Slippery Slope', *Journal of Health Politics, Policy and Law*, 10:1 (Spring 1985):81-92.

30 *Nature*, Vol 358 (July 16, 1992):176.

31 *Nature*, Vol 357 (May 28, 1992):270.

32 'The Genome is the full programme of instructions that directs the development of a complete organism from a single cell, ensures the constant maintenance and repair of its parts, and orchestrates its growth and metabolism.' See Office of Science and Technology Policy, 'Biotechnology for the 21st Century: A Report by the FCCSET Committee on Life Sciences and Health', Washington DC, US, Government Printing Office, 1992:51.

33 Although, this would again depend to some extent on the policy, NIH decides to adopt because much of the research on the human genome in the US is carried out under the auspices of the NIH.

34 *Scientific American* (April 1992):136.

35 Ibid.

36 See, Burke K Zimmerman, 'The Economic and Social Implications of Gene Technology to Developing Countries' in *Biotechnology: Economic and Social Aspects*, e J DaSilva, C Ratledge and A Sasson (eds), Cambridge University Press, Cambridge, 1992.

37 Charles Cantor, 'Implications of the Human Genome Project', *Biotechnology: Science, Education and Commercialisation*, Indra K Vasil (ed), Proceedings of an International Symposium at University of Florida, Gainesville, Elsevier, New York, 1990.

38 See Office of Science and Technology Policy, 1992:51-54; Also, US Congress, Office of Technology Assessment, *Biotechnology in a Global Economy*, OTA-BA-494, US Government Printing Office, Washington DC, October 1991:104.

Marx after Marxism

A Subaltern Historian's Perspective

Dipesh Chakrabarty

The old certitudes which once made Marxists feel like they belonged to one international tribe have to be rethought. But this rethinking has to issue from our own positions as intellectuals who think out of a real or imaginary base in India, and its tasks cannot be deduced from contemporary European and Anglo-American theory in any formulaic manner. An attempt at outlining a possible approach to this question.

AT the outset I should make it clear that my remarks do not in any way implicate the *Subaltern Studies* collective. What follows are my own reflections on some current problems of Marxist historiography as they appear to me, and they arise from an interest in writing histories of subaltern classes and of the phenomena of subordination and domination in general. But they also arise at a particular time when Marxism is being seriously questioned in avant-garde western theorising. Since to be a Marxist is to work within European traditions of thought anyway, one can ignore the challenge of what generally pass under names like 'post-structuralism' or 'deconstruction' only at one's peril. The old certitudes that once made Marxists feel like they belonged to one international tribe have to be rethought. (This at any rate is one of the assumptions on which this short intervention is based.) But this rethinking has to issue from our own positions as intellectuals who think out of a real or imaginary base in India, and its tasks cannot be deduced from contemporary European and Anglo-American theory in any formulaic manner. What follows is an attempt at outlining a possible approach to this question.

Many readers will recall that *Subaltern Studies* began as an argument within Indian Marxism and in particular against the teleologies that colonialist and nationalist-Marxist narratives had promoted in the 1970s in the field of Indian history. Initially, we wanted to oppose the methodological elitism of both varieties, but our aim was also to produce 'better' Marxist histories. It soon had become clear, however, as our research progressed, that a critique of this nature could hardly afford to ignore the problem of universalism/Eurocentrism that was inherent in Marxist (or for that matter liberal) thought itself. This realisation made us receptive to the critiques of Marxist historicism—in particular to the message advocating an attitude of 'incredulity toward grand narratives'—that French post-structuralist thinkers increasingly made popular in the English-language academic world in the 80s. But there have always remained important and crucial differences. Unlike in the Paris of the post-structuralists, there was never any question in Delhi, Calcutta or Madras of a wholesale rejection of Marx's thought. Foucault's scathing remark in *The Order of Things* that "Marxism exists in nineteenth-century thought as a fish in water, that is, it is unable to breathe anywhere else", may have its point (however exaggerated) but it never resonated with us with anything like the energy that anti-Marxism displays in the writings of some post-modernists.

This was so not because we believed in any Habermasian project of retrieving Enlightenment reason from the clutches of an all-consuming instrumental rationality. Our attachment to Marx's thought has different roots. They go back to the question of European imperialism from which the problem of Indian modernity cannot be separated. (The question of colonial modernity, or I might say the question of colonialism itself, remains an absent problem in much post-structuralist/post-modern writing.) However, for a modern Indian intellectual—that is, someone who engages in serious commerce with the thought-products of the European Enlightenment and with their inheritances and legacies but someone who is also aware, from the cultural practices of Indian society, of there always being other possibilities of 'worlding' that now exist in uneven and often subordinate relationship to 'Western metaphysics' (forgive this summary expression)—it is difficult to trash Marx's thought quite in the manner of a Foucault. Again, not because it is difficult to sympathise with the intellectual criticisms of historicism. (I will in fact go on to argue here that these criticisms have to be made central to our reading of Marx.) It is because critical narratives of imperialism are constitutive of our collective origin-myths. The story of becoming an 'Indian' academic-intellectual and having to (because there is no other realistic option!) deal in and with thoughts that never fail to remind you of their European origins, does not make sense without there being a concomitant narrative locating the emergence of such an intellectual class in the history of capitalist/European imperialism. To say this is not to claim the privileges of the 'victim'. Imperialism enables as much as it victimises. Without English imperialism in India and a certain training in Anglo-Euro habits of thought, there would not have been any *Subaltern Studies*. The story of 'capital' and that of the emergence of the market-society in Europe—undeniably a historicist narrative in the most popular recensions—have a central place in our collective self-fashioning. It follows then that Marx's critique of capital and commodity will be indispensable for any critical understanding we might want to develop of ourselves. How can a critique of modernity in India ignore the history of commodification in that society? But, at the same time, this relationship to Marx cannot any longer be the straightforward one that the Indian communist parties once encouraged, where the scripting of our histories on the lines of some already-told European drama posed no intellectual problems for self-understanding.

As deconstructive political philosophy increasingly ponders the intractable problem of genuinely 'non-violative' relationship between the Self ('the West') and its Other, and turns to questions of difference and ethics—questions made urgent by the current globalisation of capital, information and technology—the task for students of Marx in my part of the world does not seem to be one of improving 'Marxism' in order to make it impregnable against further assault from the post-modernists. Much in Marx is truly 19th-century, gender-blind and obviously Eurocentric. A post-colonial reading of Marx, it seems to me, would have to ask if and how, and which of, his

categories could be made to speak to what we have learnt from the philosophers of 'difference' about 'responsibility' to the plurality of the world. The age of multinational capital devolves on us this responsibility to think 'difference' not simply as a theoretical question but as a tool for producing practical possibilities for action.

The talk of 'difference' often elicits hostile response from Marxists. There appear to be a couple of things at stake. There is, first of all, the long-ingrained habit of thinking the world through the common, and seemingly universal and solidarity-producing, language of Marxist prose. Secular history itself is a master-code implicit in modern political thought. Historians are comfortable with the talk of difference so long as the talk does not threaten the very idea of history itself. This produces a second-order problem to which there is no quick and readymade solution and which therefore looks to many like an intellectual dead-end. How would conversation proceed between two historians if 'differences' could not be contained within the sameness of the very code (i e, history) that made the conversation possible in the first place? One may legitimately ask: How can one write/think/talk the non-West in the academia without in some sense anthropologising it? Most historians would prefer to stop at this point and simply get on with the job. Progressive historians would perhaps even endorse the strategy of 'anthropologising': it is part and parcel, they would in effect argue, of the struggle to make the world more democratic. After all, what material benefits can the subaltern classes gain from imaginations in which gods, spirits, humans and animals cohabit the same world? Pointing out that a secular and modern historical consciousness is itself part of the problem of 'colonisation of the mind' for many 'traditions' such as those of the 'Hindus'—I am not making a universal claim and I have put the word Hindu in quotes to indicate its socially constructed and contingent nature—is often of no help to these historians.

Yet, as an Indian historian, this is where I think we confront an almost insoluble problem in writing subaltern history. The problem is also of some critical urgency in India given the current wave of Hindutva. Let me explain the problem of method by referring to this group we have called 'Hindus'. For most Hindus, gods, spirits and the so-called supernatural have a certain 'reality'. They are as real as 'ideology' is—that is to say, after Zizek, they are embedded in practices. The secular calendar is only one of the many time-worlds we travel. The bringing together of these different time-worlds in the construction of a modern public life in India has always had something to do with all the major crises modern India has had to endure, the most recent being the current upsurge of a fascistic Hindu movement that has already caused enormous sufferings to the Muslims. The usual vocabulary of political science in India, which discusses this problem in terms of European categories of the secular and the sacred and makes this into a question (recycled from European history) of 'religion' in public life, is pathetically inadequate in its explanatory capacity. The word 'religion', everybody agrees, captures nothing of the spirit of all the heterodox Hindu practices it is meant to translate. For however cynical one may be in one's analysis of the 'reasons' why the Hindu political parties may want to use the 'Hindu' card, one still has to ask questions about the many different meanings that divine figures (such as the god-king Rama) assumes in our negotiations of modernity. But this is where I return to the dilemma I posed in the previous paragraph: Do we, in the already universal language of Marxist prose, simply anthropologise these meanings, or do we, in developing a Marxist prose suited to our struggles (i e, the struggles that arise for modern Indian intellectuals from their being situated in a colonial modernity) also struggle to inscribe into the visions of Marx's critique of capital, horizons of radical otherness?

I cannot pretend to escape these problems any more than other Marxists can, nor do I aspire to do so. The very limited question I can deal with in this short space is: Do Marx's categories allow us to trace the marks of what must of necessity remain unenclosed by these categories themselves? In other words, are there ways of engaging with the problem of 'universality' of capital that do not commit us to a bloodless liberal pluralism that only subsumes all difference(s) within the Same?

Looking back at some work I did on (Indian) 'working class' history a few years ago, I only seem to have half-thought the problem. I documented a history whose narrative(s) produced several points of friction with the teleologies of 'capital'. In my study of the jute mill workers of colonial Bengal I tried to show how the production relations in these mills were structured from the inside as it were by a whole series of relations that could only be considered 'pre-capitalist'. The coming of 'capital' and 'commodity' did not appear to lead to the politics of equal rights that Marx saw as internal to these categories. I refer here in particular to the critical distinction Marx draws between 'real' and 'abstract' labour in explaining the production and form of the commodity. This is how I then read the distinction (with enormous debt to Michel Henry and I I Rubin):

> Marx places the question of subjectivity right at the heart of his category 'capital' when he posits the conflict between 'real labour' and 'abstract labour' as one of its central contradictions. 'Real labour' refers to the labour power of the actual individual, labour power 'as it exists in the personality of the labourer'—that is, as it exists in the 'immediate exclusive individuality' of the individual. Just as personalities differ, similarly the labour power of one individual is different from that of another. 'Real labour' refers to the essential heterogeneity of individual capacities. 'Abstract' or general labour, on the other hand, refers to the idea of uniform, homogeneous labour that capitalism imposes on this heterogeneity, the notion of a general labour that underlies 'exchange value'. It is what makes labour measurable and makes possible the generalised exchange of commodities. It expresses itself . . . in capitalist discipline, which has the sole objective of making every individual's concrete labour—by nature heterogeneous—'uniform and homogeneous' through supervision and technology employed in labour process. . . . Politically, . . . the concept of 'abstract labour' is an extension of the bourgeois notion of the 'equal rights' of 'abstract individuals', whose political life is reflected in the ideals and practice of 'citizenship'. The politics of 'equal rights' is thus precisely the 'politics' one can read into the category 'capital'. . . (Chakrabarty, *Rethinking Working-Class History: Bengal 1890-1940*, Princeton University Press, 1989, pp 225-26.)

It now seems to me that Marx's category of 'commodity' has a certain built-in openness to 'difference' that I did not fully exploit in my exposition. My reading of the term 'pre-capital' remained, in spite of my efforts, hopelessly historicist, and my narrative never quite escaped the (false) question, Why did the Indian working class fail to sustain a long-term sense of class-consciousness?, the meta-problem of 'failure' itself arising from the well known Marxist tradition of positing the working class as a transhistorical subject. Besides, it is also clear from the above quote that my reading took the ideas of the 'individual' and 'personality' as unproblematically given, and read the word 'real' (in 'real labour') to mean something primordially natural (and therefore not social).

But my larger failure lay in my inability to see that if one reads the 'real' as socially/culturally produced—and not as a Rousseauvian 'natural', something that refers simply to the naturally different endowments of different, and ahistorical, individuals—other possibilities open up, among them the one of writing 'difference' back into Marx. For the 'real' then (in this reading) must refer to different kinds of 'social' and hence to different orders of temporality. It should in principle even allow for the possibility of these temporal horizons being mutually incommensurable. The transition from 'real' to 'abstract' is thus also a question of transition from many and possibly incommensurable temporalities to the homogeneous time of abstract labour, the transition from 'non-history' to 'history'. 'Real' labour, therefore, is precisely that which cannot not be enclosed by the sign, commodity, while it constantly inheres in the latter. The gap between real and abstract labour and the force constantly needed to close it, is what introduces the movement of 'difference' into the very constitution of the commodity and thereby eternally defers its achievement of its true/ideal character.

The sign 'commodity', as Marx explains, will always carry as parts of its internal structure certain universal emancipatory narratives. If one overlooked the tension Marx situated at the heart of this category, these narratives could indeed produce the standard teleologies one normally encounters in Marxist historicism: that of citizenship, the juridical subject of Enlightenment thought, the subject of political theory of rights, etc. I do not mean to deny the practical utility of these narratives in modern political structures. The more interesting problem for the Marxist historian, it seems to me, is the problem of temporality that the category 'commodity', constituted through the tension between 'real' and 'abstract' labour, invites us to think of. If 'real' labour, as we have said, belongs to a world of heterogeneity whose various temporalities—Michael Taussig's work on Bolivian tin miners clearly shows that they are not even all 'secular' (i e, bereft of gods and spirits)—cannot be enclosed in the sign History, then it can find a place in a historical narrative of capitalist transition (or commodity production) only as a Derridean trace of something that cannot be enclosed, an element that constantly challenges from within capital's and commodity's—and by implication, History's—claims to unity and universality.

The prefix 'pre' in 'pre-capital', it could be said similarly, is not a reference to what is simply chronologically prior on an ordinal, homogeneous scale of time. 'Pre-capitalist' is a hyphenated identity, it speaks of a particular relationship to capital marked by the tension of difference in horizons of time. The 'pre-capitalist' can only exist within the temporal horizon of capital and is yet something that disrupts the continuity of this time precisely by suggesting another time that is not on the same, secular, homogeneous calendar (which is why what is pre-capital is not chronologically prior to capital). This is another time which, theoretically, could be entirely incommensurable with the godless, spiritless time of what we call 'history'.

Subaltern histories, thus conceived in relationship to the question of difference, will have a split running through them. On the one hand, they are 'histories' in that they are constructed within the master-code of secular History and use the accepted academic codes of history-writing (and thereby perforce anthropologise all other forms of memory). On the other hand, they cannot ever afford to grant this master-code its claim of being a mode of thought that comes to all human beings naturally, or even to be treated as something that exists out there in nature itself (remember the tell-tale title of J B S Haldane's book, *Everything Has A History*?). Subaltern histories are therefore constructed within a particular kind of historicised memory, one that remembers History itself as a violation, an imperious code that accompanied the civilising process that the European Enlightenment inaugurated in the 18th century as a world-historical task. This memory does not have the character of nostalgia for it bespeaks a pain that is in no sense historical in our parts of the world.

Of course, the empirical historian who writes these histories is not a peasant or a tribal (and often not even a woman) himself. He produces History—as distinct from other forms of memory—precisely because he has been transposed and inserted—in our case, by England's work in India—into the global narratives of citizenship and socialism. He writes history, that is, only after his own labour has entered the process of being made abstract in the world-market for ideational commodities. The subaltern, then, is not the empirical peasant or tribal in any straightforward sense that a populist programme of history-writing may want to imagine. The figure of the subaltern is necessarily mediated by problems of representation. In terms of the analysis that I have trying to develop here, one might say that, subaltern is what fractures from within the signs that tell of the insertion of the historian (as a speaking subject) into the global narratives of capital. It is what gathers itself under 'real' labour in Marx's critique of capital, the figure of difference that governmentality—in Foucault's sense of the term—all over the world has to subjugate and civilise.

There are implications that follow: subaltern histories written with an eye to difference cannot constitute yet another attempt—in the long and universalistic tradition of 'socialist' histories—to help erect the subaltern as the subject of modern democracies, that is, to expand the history of the modern in such a way as to make it more representative of society as a whole. This is a laudable objective on its own terms and has undoubted global relevance. But thought does not have to stop at political democracy or the concept of egalitarian distribution of wealth (though the aim of achieving these ends will legitimately fuel many immediate political struggles). But, fundamentally, this thought is insensitive to philosophical questions of difference and can acknowledge difference only as a practical problem. Subaltern histories will engage philosophically with questions of difference which are elided in the dominant traditions of Marxism. At the same time, however, just as 'real' labour cannot be thought outside of the problematic of 'abstract' labour, the subaltern cannot be thought outside of the global narrative of capital though it does not belong to this narrative. Stories about how this or that group in Asia, Africa or Latin America resisted the 'penetration' of capitalism do not constitute 'subaltern' history for subaltern histories do not refer to a resistance prior and exterior to capital. *Subaltern Studies*, as I think of it, can only situate itself theoretically at the juncture where we give up neither Marx nor 'difference', for the resistance it speaks of is something that can happen only *within* the time-horizon of capital and yet disrupts the unity of that time. Unconcealing the tension between real and abstract labour ensures that capital/commodity has heterogeneities and incommensurabilities inscribed in its core.

Or, to put it differently, the practice of subaltern history would aim to take history to its limits in order to make its unworking visible.

[I am grateful to Fiona Nicoll, Rajyashree Pandey, John Rundell, Sanjay Seth and Rachel Sommerville for criticisms of an earlier draft. A slightly different version of this piece will appear in *Polygraph*, USA.]

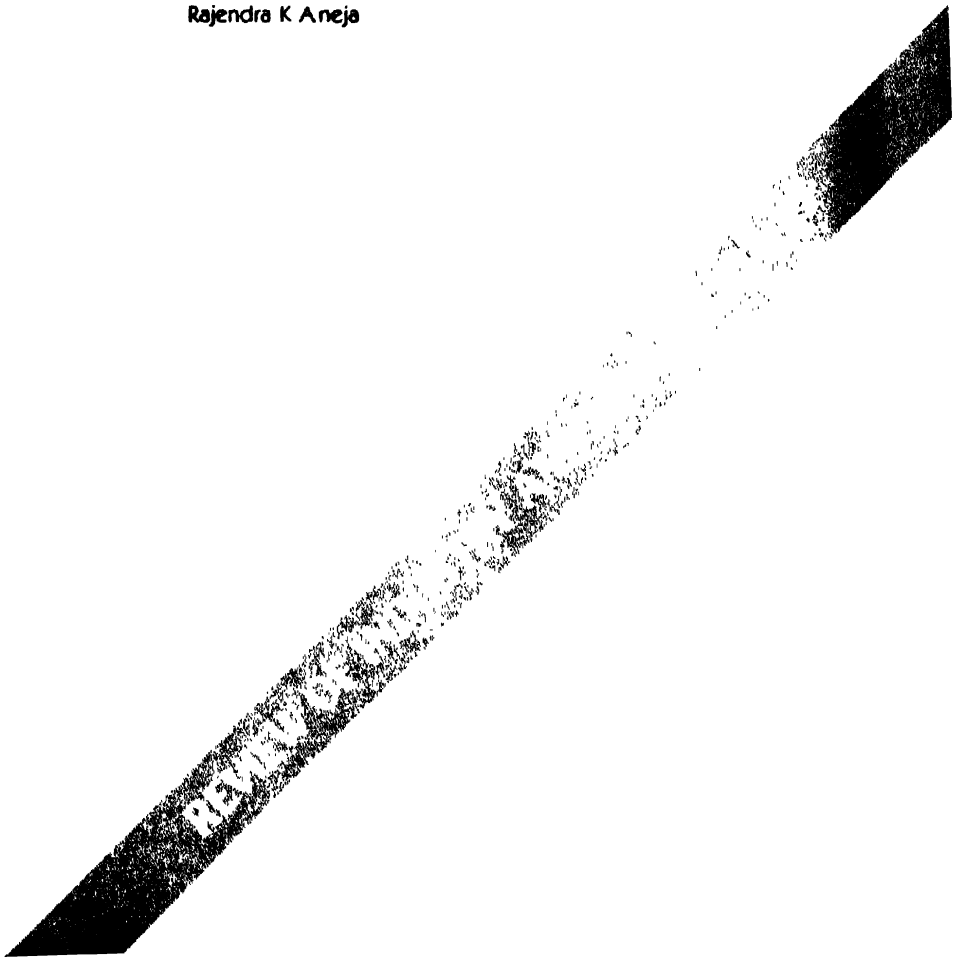
May 1993

Indian Manufacturing Industry: Growth Episode
of the Eighties
D N Sen Gupta

Electronic Reorganisation of Manufacturing
A New Techno-Economic Paradigm
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What Is India's Privatisation Policy?
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Indian Manufacturing Industry
Growth Episode of the Eighties

D N Sen Gupta

This paper reviews the process of growth in Indian manufacturing in the 80s with a view to exploring the broad interlinkages between growth and the various elements that impinge on it, such as demand, productivity, costs and prices, investment, employment, structural change and the balance of commodity trade.

I
Introduction

IN many ways, the decade of the 80s was one of the most interesting periods in the history of Indian manufacturing industry. During this period, it broke loose from a state of stagnancy that had persisted for much of the two previous decades. The rate of growth achieved was high not only by Indian standards, but comparable to that of star performers like Korea, Indonesia, Malaysia, Thailand and Turkey. Unlike during the first three Five-Year Plans, growth during this period was not externally induced. It came naturally, in response to a relaxation in policy-based constraints to growth and set in motion a number of highly desirable outcomes. Even so, this growth episode was terminated rather abruptly at the end of the decade, when the government resorted to a programme of demand contraction and import compression to tackle a balance of payments (BoP) crisis of unprecedented magnitude.

This study attempts a quick review of the genesis and process of growth in Indian manufacturing during the 80s. The emphasis is on exploring, in empirical terms, the broad interlinkages between growth and the various aspects that impinge on it, like demand, productivity, costs and prices, investment and employment, structural change and balance of commodity trade.

II
The Theoretical Framework

An average car in India today costs less than US $ 7,000. In the US, it rarely costs less than $ 15,000. Yet in India only 1,50,000 cars are sold every year, compared with 15 million in the US. The reason is that in India $ 7,000 represent three years' income of an average buyer, while in the US $ 15,000 represent less than half a year's income. In other words, except at a very high level of per capita income what determines the demand for industrial products is 'affordability' or the ratio of per capita income to the price of industrial products. At a very low level of income, nothing is affordable. As income rises in relation to industrial prices, affordability starts increasing. In the intermediate stage of development, the ability of an economy to achieve a high rate of industrial growth thus depends on how rapidly it is able to increase per capita income in relation to industrial prices over time, not only by increasing income, but also by reducing industrial prices in relation to overall prices.

Demand and price would obviously not be relevant in explaining industrial growth (or the lack of it) if, as in the neoclassical system, aggregate output (and therefore income) were determined by resource availability and the maximum possible output of all goods were achieved by relative prices adjusting to 'market clearing' levels. But in reality, costs set a floor to industrial prices which need not be market clearing. Once this floor is reached, prices remain fixed and output tends to adjust to the volume of demand that exists at that level of income and prices. As Kaldor (1975: 353-54) shows, short-run equilibrium is reached at a point where output of the industrial sector, after meeting its own demand created in the process of generating that output, leaves a surplus which exactly equals the given demand from outside the industrial sector. Symbolically,

$$Q_i = \frac{1}{1-S} \times D_e \quad \ldots(1)$$

where Q_i is industrial output, D_e the given demand for industrial output from the non-industrial sector, S the proportion of industrial income expended on industrial output and 1/1-S the resultant multiplier (Kaldor's 'foreign trade multiplier'). The above is an identity, any difference between the desired and actual values of S being reflected in changes in inventory levels. As Hicks (1985:82) points out, the 'storable' nature of manufactured goods which makes possible "the existence of stocks has a great deal to do... with the possibility of keeping prices fixed... a market in which stock changes substitute for price changes... is readily intelligible". Demand, owing to the rigidity in costs and prices thus becomes the operating constraint on industrial output.

To see how such a system works over time, it will be useful to introduce price terms and rewrite equation (1) as follows:

$$P_i.Q_i(1-S) = A.P_e.Q_e \quad \ldots(2)$$

where, Q_i, P_i, Q_e and P_e are the quantities and prices of the outputs of the industrial and non-industrial sectors, and S and A the proportions of the income of the industrial and non-industrial sectors spent on industrial output. If Q and P be the quantity and the weighted average of prices of the economy's aggregate output, we get:

$$P_e Q_e = P.Q - P_i.Q_i \quad \ldots(3)$$

If N be the population, combining (2) and (3) and with minor manipulations, we get,

$$Q_i/N = \frac{Q}{N} \times \frac{P}{P_i} \times \frac{A}{1-S+A} \quad \ldots(4)$$

Alternatively,

$$gQ_i/N = f(gQ/N + gP/P_i), \quad \ldots(5)$$

where, gQ_i/N and gQ/N are the rates of growth of per capita industrial and aggregate output at constant prices, and gP/P_i the rate at which industrial prices fall in relation to overall prices. The terms S and A represent structural variables with whom gQ/N and gP/P_i interact to bring about changes in gQ_i/N.

We may now interpret equation (5) to summarise the dynamic sequence. Faced with the prospect of increasing input costs, firms will try to protect their profitability by estimating future costs and sales volumes and setting prices at a level which, at the estimated sales volume, will cover estimated costs plus a desired return on capital. If no price resistance is foreseen, they will be inclined to 'play safe', make 'conservative' estimates of costs and sales volumes, and set prices high. If there are no major barriers to entry, they will take a more 'optimistic' view of their marketing and cost control efforts and try to discourage competition by keeping prices low. In either case, at the given rates of increase in the aggregate real income and in industrial prices (relative to overall prices), demand for industrial goods will grow at a rate determined by income and price elasticities, and output growth will adjust to it.

Empirical studies by Kaldor, Fabricant, Salter and Kennedy indicate that a high rate of growth in manufacturing is associated with a high rate of growth in labour productivity [Scott:1991]. Salter's findings further indicate that in an efficient industry high productivity is not limited to labour alone, but extends to all inputs, including materials. Fabricant also finds that productivity increase is associated

with a decline in production costs and the latter with a fall in selling prices, and that "selling price has dropped most precipitately in industries in which output has climbed most rapidly". The negative link between increases in selling price and output of manufactured goods has been re-confirmed by us statistically, using recent cross-country data (Table 1).

We would interpret the above empirical evidence as follows. At a certain level of per capita income, demand for manufactured consumer goods, and through backward linkages the demand for manufactured capital and intermediate goods, start picking up rapidly. If an economy is able to translate this demand impulse into a growth in output, the latter leads to an increase in productivity because of economies of scale and 'endogenous' or growth-induced technical progress. If the gain from productivity increase is siphoned off through indirect taxes, it becomes additional income in the hands of the government and may or may not benefit industrial growth, depending on how it is spent. If the productivity gain is retained by industry as increased factor earnings, the resultant income effect on demand is diffused over all goods and not industrial goods alone. If the gain is reflected in falling industrial prices, there is a focused impact on the demand for industrial goods, because the income effect is strengthened by a substitution effect. Three examples of how productivity improvement can expand demand by reducing prices are Henry Ford's 'T' model cars in the 1910s, Courtald's viscose rayon during the 1920s and 1930s and electronics goods in the last two decades.

How do we reconcile the phenomenon of falling industrial prices with the argument put forward by Chakravarty (1984) and Mitra (1977:141-65) that industrial stagnation can result from falling industrial profits owing to an unfavourable shift in the terms of trade from industry to agriculture? We do so by simply recognising that with sustained reduction in industrial costs through productivity improvements, such a shift can take place without any erosion in industrial profitability. In fact, as Ishikawa (1967:290-347) has shown, in most Asian countries there has been a net flow of resources from industry to agriculture, both through changes in the terms of trade and through invisibles, capital transfers and subsidies. If industrial output grows faster than agricultural output which is land-constrained, the capacity of the agricultural sector to buy industrial goods will diminish in relation to the industrial sector's capacity to buy agricultural goods, unless sustained productivity improvements allow industrial prices to fall continuously in relation to agricultural prices.

The cost of producing industrial goods has two elements : the fixed costs of investment in knowledge and capital assets, and the variable costs of other inputs. Generation of knowledge, whether in-house or through purchase, involves large investments which are subject to rapid obsolescence. Knowledge, capital and labour-intensive technologies therefore generally represent a descending order of fixed to variable cost ratios. As production volumes build up it becomes possible to reduce costs by substituting variables by fixed costs and spreading the latter over increasing volumes.

The transition from labour to capital to knowledge-intensive manufacturing brought about by industrialisation manifests itself in a steady shift from what Hoffman (1958:21-41) calls 'primitive' to 'capitalist' manufacturing. Since the latter entails increasing use of capital and intermediate goods made by the industrial sector itself, these industries soon outstrip consumer goods industries and the industrial sector as a whole outstrips the primary sector.

Structural transformation has two important consequences. It increases the industrial sector's capacity to sustain its own growth by increasing its 'self-dependence ratio' or the value of S in our equations (1), (2) and (4). It also enables the 'factory' sector to grow at the expense of the 'cottage' sector. As Ishikawa (1967:338-437) and Anderson (1982) have pointed out, the experience of several Asian countries shows that while institutional characteristics of household enterprises limit their technology choice, factories employ modern technology and bring product prices down to a level where artisans cannot survive.

The process of structural transformation in an industrialising economy changes the pattern and balance of its external trade over time, by causing a steady shift in its 'comparative advantage'. When the domestic demand for a product reaches a certain volume, domestic production starts replacing imports. Exporting is an extension of the substitution of foreign products by domestic products in overseas markets. Typically, industrialisation starts with the production of labour-intensive consumer goods, initially for home consumption and later for exports. In the process, a domestic demand for intermediate and capital goods is created, which has to be met initially through imports. As the domestic market for these goods builds up, the same cycle of replacement of imports by domestic production, followed by exports is repeated. There is thus a positive link between growth in the output and exports of industrial goods.

TABLE 2. GROWTH AT CONSTANT PRICES
(Per cent per annum)

	1959-60 to 1965-67	1965-66 to 1979-80	1980-81 to 1988-89
Value added by the factory manufacturing sector	8.7	4.9	7.8
Intermediate goods	10.3	4.3	6.3
Consumer non-durables	4.9	4.7	6.9
Consumer durables	13.1	7.7	12.5
Capital goods	14.5	6.5	7.7
Per Capita GNP	2.1	1.4	3.1

TABLE 1: GROWTH IN PER CAPITA MANUFACTURING OUTPUT AS A FUNCTION OF GROWTH IN PER CAPITA GDP AND RELATIVE PRICES OF MANUFACTURED GOODS—A CROSS-COUNTRY ANALYSIS
(in per cent per annum, period averages 1980-89)

	Rate of Growth of Manufacture (Y)	Rate of Growth of Per Capita GDP (X_1)	Rate of Change in Relative Prices of Manufactured Goods (X_2)
Australia	0.9	2.2	0.8
Bangladesh	0.4	1.1	-2.4
Cyprus	3.1	4.7	-0.3
Greece	0.1	1.2	-0.3
India	4.7	3.3	-0.3
Indonesia	9.8	3.1	-1.9
Korea	11.2	8.1	-2.0
Mexico	-1.4	-1.2	1.0
Pakistan	4.4	2.9	0.4
Paraguay	-1.4	-0.7	1.3
Singapore	4.5	4.8	0.5
Sri Lanka	3.2	2.5	-1.1
Thailand	5.9	4.9	1.0
Turkey	4.7	2.8	0

Regression Output

$$Y = -0.17 + 1.22X_1 \quad 0.62X_2$$
$$(0.26) \quad (0.53)$$

Standard error of Y estimate: 2.10, R Squared: 0.74, No of observations: 14, Degrees of freedom: 11.

Industrial growth on the other hand also increases the demand for imports. The overall impact on balance of trade is thus ambiguous.

III
Methodology and Data Sources

Our focus in this study is the 'factory manufacturing sector' and its subsectors. 'Edibles' cover food, beverages and tobacco. 'Other agro'-based industries comprise wood, paper and leather products. 'Hydrocarbons' refer to rubber, plastic, petroleum and coal products. 'Silicates' denote non-metallic mineral products.

All annual rates of change (g) are exponential rates, calculated by regressing time series data on time (t) to yield the following equation:

$$\text{Log } Y_t = \text{Log } Y_o + g.t \qquad \ldots(6)$$

All price indices used are based on those 'implicit' in the National Accounts Statistics (NAS), with 1980-81 as the base year.

In addition to changes in gross value added (GVA) at constant prices, we have used changes in value of gross output (VO) and apparent domestic consumption, both at constant prices, as measures of growth in production and demand respectively.

Subsectorwise estimates of apparent domestic consumption at current market prices (C) have been based on the following equation:

$$C = O_F + T + O_C + M + D - E \qquad \ldots(7)$$

where, O_F and O_C are the VO of factory and cottage sectors, M and E CIF import and FOB exports, and T and D, the value of indirect taxes levied by the central government on domestic production and imports.

O_F is available from the NAS, M and E from the March issues of the *Monthly Statistics of Foreign Trade of India* published by the DGCIS, and T and D from the annual budget documents of the ministry of finance. Data on O_C are not directly available and have had to be estimated from the value added data provided in the NAS.

For each subsector, as well as the manufacturing sector as a whole, time series data have been used to generate the following double logarithmic demand function which corresponds to equation (5):

$$\text{Ln } (Q_i/N) = K_i + e_i . \text{Ln } (Q/N) + e_{ii} . \text{Ln } (P_i/P) \qquad \ldots(8)$$

where, Q_i/N is the per capita domestic consumption of i^{th} good at constant prices; K_i, e_i and e_{ii} are constants, the latter two being interpreted as income and own price elasticities; P_i its price; Q/N the aggregate per capita GNP at constant market prices; and P the GNP deflator.

Growth in OF could result not only from a growth in C, but also a fall in O_C or M relative to C (gains from the cottage sector or import substitution), or a rise in E (gain from export expansion). The contribution of these three factors has been estimated by dividing C into four components, viz (O_F+T), (O_C), (M+D) and (E) and expressing each component as a percentage of C. The changes in these percentages each year, as a percentage of the share of (O_F+T) in C in the previous year, would provide year-by-year estimates of growth of the factory sector due to gains from the cottage sector, import substitution and export expansion.

The basic accounting identity underlying our analysis of costs and prices is given below:

$$P_O . O = I.P_I + F.P_F + L.w + (K_F . P_{FK} + K_W . P_{WK})\, r \qquad \ldots(9)$$

where, O, I, F, L, K_F and K_W are the quantities of output and inputs of material, fuel, labour, fixed capital and working capital; P_o, P_I, P_F, P_{FK} and P_{WK} are the prices of output, materials, fuel, fixed capital and working capital; and w and r are the wage rate and the gross rate of return on capital (PBDIT as a ratio of total capital employed). We can focus on the determinants of P_o better by rewriting equation (9) as follows:

$$P_O = \frac{I}{O} . P_I + \frac{F}{O} . P_F + \frac{L}{O} . w + \left(\frac{K_F}{O} . P_{FK} + \frac{K_W}{O} . P_{WK} \right) . r \qquad \ldots(10)$$

The rate of change in P_o over time will thus be the result of three rates of change, in input prices, input-output ratios or productivity, and the gross rate of return on capital employed.

The use of the cost accounting framework has several advantages. It allows us to do an inputwise analysis without getting involved with the problems of partial elasticities of substitution. The accuracy of our results are not as critically dependent on the accuracy of fixed capital stock estimation as in productivity studies using 'value added' production functions. Our approach also allows us to bypass the more basic 'duality' problems associated with such functions.

It is worth pointing out that theoretically our estimates of total productivity will be the same as one would get by assuming a five-input Cobb-Douglas production function, constant returns to scale, Hicks-neutral technical progress and payments to factors according to their marginal revenue products.

The basic source of data for cost analysis is the Annual Survey of Industries (ASI). As the ASI provides data relating to the factory sector only, this analysis is limited to the factory sector.

We have constructed three input price indices by taking weighted averages of price indices of the various components of each input. These relate to materials, fuels and gross fixed investments. Weights have been assigned on the basis of CSO's input-output tables as well as detailed ASI tables for 1983-84.

Wage rate indices simply reflect movements in employment costs per employee

TABLE 4: RELATIONSHIP BETWEEN OUTPUT AND PRODUCTIVITY GROWTH—FACTORY SECTOR
(Per cent per annum)

Subsector	Average Rates of Growth, 1980-81—1988-89	
	Gross Output (X)	Productivity (Y)
Edibles	7.0	1.8
Textiles	4.8	1.4
Other Agro	7.5	1.1
Hydrocarbons	8.9	1.6
Chemicals	8.9	1.8
Silicates	11.2	2.5
Metals	3.9	(0.8)
Engineering	8.3	2.0
Unclassified	10.1	3.7
Manufacturing	7.4	1.7

Regression output
Y = −1.51 + 0.41 X
(0.11)
R-Squared: 0.65, Standard error of Y estimate: 0.71, No of observations: 10, Degrees of freedom: 8.

TABLE 3: SOURCES OF GROWTH IN GROSS OUTPUT—FACTORY SECTTOR, 1980-81 TO 1989-90
(Per cent per annum)

Subsector	Total Growth	Growth in Domestic Consumption	Gain from Cottage Sector	Import Substitution	Export Expansion
Edibles	7.0	5.6	1.1	0.3	—
Textiles	4.8	3.8	0.6	0.1	0.3
Other Agro	7.5	3.2	4.3	(1.2)	1.2
Hydrocarbons	8.9	7.0	—	1.5	0.4
Chemicals	8.9	9.1	—	(0.4)	0.2
Silicates	11.2	10.3	0.6	0.3	—
Metals	3.9	3.5	—	0.4	—
Engineering	8.2	8.3	—	(0.1)	—
Unclassified	10.1	10.4	(0.1)	(0.2)	—
Manufacturing	7.4	6.5	0.7	—	0.2

Note: Figures in brackets are negative figures.

(and thus ignore any changes in the qualitative composition of employment). To render the current value of working capital into constant values, we have used the respective ex-factory output price indices on the assumption that working capital is nothing but a stock of final output at various stages of completion.

The theoretical difficulties in aggregating and deflating fixed capital stock are so insurmountable that we would ideally have liked to avoid this exercise [Goldar 1986: 50-56]. But even in our cost accounting framework this is unavoidable, although as we have said before, the accuracy of final results are nowhere as critically dependent on the accuracy of capital stock estimates as in total factor productivity studies based on 'value added' production functions. We have started with Hashim and Dadi's (1973) estimates of gross value of fixed capital assets for 1960 at 1960 prices. Since this is also the starting point for Ahluwalia (1984), we have applied to these figures her estimates of rate of growth in capital stock at constant prices from 1959-60 to 1979-80 to arrive at capital stock figures at the end of 1979-80. These have then been reflated to 1980-81 prices by using the wholesale price index for machinery and equipment. Annual estimates of gross fixed capital stock thereafter have been derived by adding to this base figure annual figures of gross investment at 1980-81 prices.

From the above data and the book value of net fixed assets, we can now work out a notional price index for fixed capital input with 1980-81 as the base year. Since for costing purposes the gross rate of return on capital is calculated on the basis of current (or book) value of capital employed, this notional price index is in fact the relevant index of increase in the price of fixed capital input. Conceptually, it encompasses increases in the purchase price of new fixed capital over time as well as a fall in relation to new capital in the value of fixed capital acquired in the past because of obsolescence. For reasons explained by Scott (1991:14-33), depreciation provisions should be seen as a 'write off' for obsolescence rather than physical wear and tear and actual discard. Physical wear and tear is usually taken care of by repairs and maintenance, the cost of which is charged to revenue expenditure.

Data at current prices have been converted into constant prices by using the appropriate output and input price indices. The constant price data give us annual changes in input-output ratios or productivity. We can also calculate for each year the value of 'r' and changes in this value. The impact of changes in input prices, input-output ratios and 'r' on output price each year can now be worked out by applying the rates of change in these to the previous year's shares in total costs of each input. We can also calculate period averages by using average annual rates of change in all these variables over the entire period and the average share of each input in total costs for the period as a whole.

All exports of gems, jewelleries and handicrafts have been assumed to have been made by the cottage sector. The

TABLE 6: SOURCES OF INCREASE IN EX-FACTORY PRICES—FACTORY SECTOR
(Period Averages, 1980-81 to 1988-89)

(Per cent per annum)

	Proportion of Total Cost	Input Prices Per Cent Change	Input Prices Impact	Productivity Per Cent Change	Productivity Impact	Return on Capital Employed Per Cent Change	Return on Capital Employed Impact	Total
Materials	0.72	7.3	5.2	(1.3)	(0.9)			4.3
Fuels	0.07	7.1	0.5	1.5	0.1			0.6
Labour	0.10	12.1	1.2	(6.6)	(0.7)			0.5
Fixed capital	0.07	9.3	0.6	(0.6)	—			
Working capital	0.04	6.3	0.3	(3.9)	(0.2)	1.4	0.2	0.9
Total	1.00		7.8		(1.7)		0.2	6.3

Note: Figures in brackets are negative figures.

TABLE 7: SOURCES OF INCREASE IN MARKET PRICE—FACTORY SECTOR
(Period Averages, 1980-81 to 1988-89)

(Per cent per annum)

	Total Price Increase	Indirect Taxes	Impact of Change in Input Prices	Impact of Change in Productivity	Return on Capital
Edibles	6.1	(0.2)	7.7	(1.8)	0.4
Textiles	5.8	0.1	7.4	(1.4)	(0.3)
Other Agro	6.5	(0.1)	7.7	(1.1)	—
Hydrocarbons	5.4	(0.9)	7.2	(1.6)	0.7
Chemicals	5.4	0.3	6.8	(1.8)	0.1
Silicates	6.2	0.5	9.0	(2.5)	(0.8)
Metals	9.2	(0.2)	8.4	0.8	0.2
Engineering	6.4	—	8.4	(2.0)	—
Unclassified	4.7	(0.7)	8.5	(3.7)	0.6
Manufacturing	6.3	—	7.8	(1.7)	0.2

Note: Figures in brackets are negative figures

TABLE 5: SOURCES OF PRODUCTIVITY INCREASE—FACTORY SECTOR
(Period Averages, 1980-81 to 1988-89)

(Per cent per annum)

	Changes in Input-Output Ratios					Productivity Increase					
	Material	Fuels	Labour	Fixed Capital	Working Capital	Material	Fuels	Labour	Fixed Capital	Working Capital	Total
Edibles	(1.4)	0.2	(9.6)	(1.9)	0.5	1.2	(0.1)	0.6	0.1	—	1.8
Textiles	(0.8)	2.5	(5.7)	(0.2)	(4.1)	0.6	(0.2)	0.9	—	0.1	1.4
Other Agro	(0.4)	1.7	(5.7)	(0.9)	(3.1)	0.3	(0.1)	0.7	0.1	0.1	1.1
Hydrocarbons	(1.9)	8.4	(5.2)	0.5	(2.3)	1.6	(0.2)	0.2	(0.1)	0.1	1.6
Chemicals	(1.6)	0.6	(6.0)	(3.6)	0.2	1.1	(0.1)	0.5	0.3	—	1.8
Silicates	(3.1)	1.9	(8.5)	(3.6)	1.7	1.5	(0.4)	1.0	0.5	(0.1)	2.5
Metals	1.1	2.9	(2.9)	1.7	(6.3)	(0.7)	(0.4)	0.3	(0.1)	0.1	(0.8)
Engineering	(1.2)	—	(5.9)	(1.8)	(3.3)	0.9	—	0.8	0.1	0.2	2.0
Unclassified	(2.6)	1.4	(6.3)	(8.0)	(5.0)	1.7	—	0.9	0.7	0.4	3.7
Manufacturing	(1.3)	1.5	(6.6)	(0.6)	(3.9)	0.9	(0.1)	0.7	—	0.2	1.7

Note: Figures in brackets are negative figures.

residual exports of manufactured goods by subsectors have then allocated between the factory and cottage sectors in proportion to their VOs.

For calculating import intensity of manufacture, all imports of crude petroleum, chemical grade non-metallic minerals (basically sulphur, phosphates and potassium), other non-metallic minerals, metallic ores and scrap and cooking grade coal are assumed to have been used as inputs by the hydrocarbons, chemicals, silicates and metals (last three items) subsectors respectively.

Imported manufactured goods are used not only as inputs for the manufacturing sector, but also as inputs for other sectors as well as for meeting final demand. We have therefore used the following indirect procedure which in our view would yield approximate but usable estimates. Using equation (7) we can work out for each category of manufactured inputs the proportion of M in C or the CIF import to consumption ratio. The second step is to calculate on the basis of input-output tables, what proportion of materials, fuels and gross fixed investment in each subsector is accounted for various categories of manufactured inputs. By applying these two ratios to the annual subsectorwise actual figures of materials and fuel consumption and gross fixed investment, an estimate of import of manufactured inputs can be derived for each subsector.

The estimation procedure for self dependence ratios is the same as for imported manufactured inputs, with two differences. For obvious reasons, only the second of the two ratios described above has been applied to actual figures of consumption of materials, fuels and gross fixed investment. Secondly, 19.3 per cent (that being the relevant figure in the 1983-84 input-output table) of gross value addition by each subsector has been assumed to have been spent on manufactured consumer goods via factor earnings.

IV
Empirical Findings

The genesis of the high growth episode of the 80s in Indian manufacturing is best explained in a historical perspective, by dividing the post-independence period into three phases : a high growth phase up to the mid-60s (phase I), a low growth phase from the mid-60s to the end-70s (phase II), and a high growth phase in the 80s (phase III). Table 2 compares some salient features of the three phases. Growth during phase I was externally induced by heavy public investment in the capital and intermediate goods sectors and, as pointed out by Bhagwati and Desai,[1] by extensive import substitution in all sectors, especially consumer durables and intermediate goods. While many explanations have been advanced for the deceleration in phase II, the most plausible line of reasoning seems to be as follows. The external impulses to growth started petering out, as public investment in industry slowed down and the potential for import substitution was increasingly exhausted [Sandesara 1992: 122-33]. At the same time, an expansionary supply response to the rising demand for consumer goods was impeded by increasing levy of indirect taxes, a restrictive industrial policy and poor infrastructural support [Ahluwalia 1984]. This led to a recession in the capital and intermediate goods sectors also. The low domestic output of consumer goods could not support the capacity created for the production of capital and intermediate goods. Much of this capacity was too inefficient to be competitive in export markets.

During phase III, not only did the demand for consumer goods pick up (as reflected in the growth in per capita GNP), but a change in policy orientation allowed this increase in demand to be met with an expansionary supply response. The output of both consumer durables and non-durables grew rapidly. This in its turn started pulling up the output of capital and intermediate goods. Thus, the distinguishing feature of this phase is that the growth was demand-induced.

As we shall see later, indirect taxes as a proportion of selling prices of manufactured goods remained on the whole stable during the 80s and did not choke off demand impulses. Changes in industrial policy encouraged an expansion in supply both by removing obstacles to production and encouraging competition. Specifically, there was delicensing, broad-banding and endorsement of industrial capacity; greater freedom to larger producers through an increase in the asset limit for MRTP purposes and an expansion in the Appendix I list, encouragement to financial and technical collaboration agreements as well as to foreign investment from OPEC countries and NRIs on a fully repatriable basis; and full or partial decontrol of the pricing and distribution of a number of commodities. Ahluwalia (1991: 85-88) has pointed out that industrial production was also aided by a distinct improvement in infrastructural support, both due to higher public investment in infrastructure and increased efficiency.

Output of the factory sector grew faster than domestic consumption, due largely to a gain from the cottage sector and, to a smaller extent, from export expansion (Table 3). The relative contraction of the cottage sector which has been pronounced in the more traditional subsectors, corresponds to the Ishikawa-Anderson hypotheses.

Productivity of the factory sector increased in response to the growth in output. Table 4 establishes a statistical relationship between the two. The values of the intercept and x-coefficient of −1.51 and 0.41 respectively imply that productivity growth is negative until the rate of growth in output reaches 3.7 per cent p.a. Thereafter, productivity increases by 0.41 per cent with every 1 per cent growth in output. This finding is similar to Ahluwalia's (1991: 133-40), who has used data for 62 subsectors going back to 1959-60, total factor productivity estimates based on value added production functions, im-

TABLE 8: RETURN ON CAPITAL EMPLOYED—FACTORY SECTOR (1980-81 to 1988-89)

(Per cent per annum)

	ROC	Rate of Change in ROC	Rate of Growth in Gross Output
	(Y)		(X)
Edibles	33.7	5.1	7.0
Textiles	23.1	(4.1)	4.8
Other Agro	20.4	(0.1)	7.5
Hydrocarbons	29.6	8.5	8.9
Chemicals	24.6	0.6	8.9
Silicates	26.7	(4.5)	11.2
Metals	14.6	1.7	3.9
Engineering	28.0	0.1	8.2
Miscellaneous	36.7	3.2	10.1
Manufacturing	24.3	1.4	7.4

Note. Figures in brackets are negative figures.
Regression output
Y = 12.25 + 1.79 X
(0.79)
Standard error of Y estimate: 5.28, R^2: 0.39, No of observations: 10, Degrees of freedom: 8.

TABLE 9: DETERMINANTS OF GROWTH IN PER CAPITA DOMESTIC CONSUMPTION OF MANUFACTURED GOODS (1980-81 to 1989-90)

	X Coefficients (Std Error of X-Coeff.)		
	Growth in Per Capita Income	Change in Relative Prices	R^2
Edibles	0.73	−0.93	0.98
	(0.07)	(0.10)	
Textiles	0.27	−0.72	0.85
	(0.11)	(0.20)	
Other Agro	0.17	−0.64	0.58
	(0.16)	(0.42)	
Hydrocarbons	1.05	−0.59	0.92
	(0.45)	(0.52)	
Chemicals	1.83	−0.47	0.95
	(0.60)	(0.83)	
Silicates	2.66	0.37	0.95
	(0.27)	(0.33)	
Metals	0.74	−0.49	0.52
	(0.36)	(0.50)	
Engineering	1.83	−0.45	0.98
	(0.11)	(0.28)	
Unclassified	0.18	−2.91	0.97
	(0.61)	(0.73)	
Manufacturing	0.98	−1.13	0.98
	(0.13)*	(0.35)	

port substitution as an additional independent variable and a dummy variable for the period starting 1980-81. Her estimates for the 1980-81 to 1985-86 period of the corresponding values of the intercept and x-coefficient are −1.23 and 0.51 respectively.

The sources of productivity increase show a fairly consistent pattern across subsectors (Table 5). Although the reduction in material input per unit of output was not very large in percentage terms, in absolute terms the contribution of material savings to productivity increase was the largest, owing to the preponderance of materials in total costs. The next highest contribution came from labour, in percentage terms the reduction in labour input per unit of output being the biggest of all inputs. There has also been a significant reduction in working capital input. On the whole, there has not been any significant change in fixed capital input (or the 'capital-output ratio'), although there are variations by subsectors. Fuel input has gone up consistently, probably as a substitute for human energy.

Rising input costs were partially offset by improving productivity (Table 6). For the manufacturing sector as a whole, about 10 per cent of the productivity gain was retained as increased return on capital employed and the balance passed on as a reduction (or lower increase) in ex-factory prices.

As Table 7 indicates, the fall in ex-factory prices was reflected in a fall in market prices (relative to input costs and overall prices). The effect of the incidence of indirect taxes on prices was on the whole neutral, increases in some subsectors being matched by decreases in others. Consequently, in all subsectors except metals market prices increased less rapidly than input costs. The difference was quite substantial in some of the subsectors.

A comparison of the average return on total capital employed (ROC) earned in various subsectors indicates that this varies widely, from 14.6 per cent to 36.7 per cent (Table 8). There has also not been any tendency for it to equalise across subsectors over the period. In general, profitability has been high in the high growth subsectors. As indicated by the value of the intercept, at a zero rate of growth average ROC (including depreciation) is about 12 per cent which is lower than the average long- (14 per cent) and short-term (17 per cent) rates of interest that prevailed during the 80s. The value of the x-coefficient of 1.8 indicates that on an average break-even was achieved at a positive rate of growth of 3-4 per cent.

In all subsectors except silicates, falling prices have had a stimulating effect on demand (Table 9). In metals, prices have risen and this has had a dampening effect on demand.

The period average rates of change in per capita incomes and prices have been applied to the implicit income and price elasticities to arrive at an estimate of the contribution of each factor to growth in demand over the decade as a whole (Table 10). For the manufacturing sector as a whole, price would seem to have contributed about a quarter of the growth in demand (in per capita terms). For some of the subsectors, the contribution was much higher.

Over the decade, growth of the manufacturing sector did increase its ability to sustain its own growth to some extent, as reflected in a small increase in its 'self dependence ratio' (Table 11). The increase came essentially from an increase in investment in machinery and equipment.

Table 12 provides annual data on exports and imports of manufactured goods over the decade. Since much of the growth in exports came from gems, jewelleries and handicrafts which are made by the cottage sector, the exports of the factory sector are shown separately. Exports, both total and of the factory sector, rose faster than imports, so that the trade deficit narrowed over the decade. However, the low rate of increase in imports is attributable to Bombay High and is unlikely to be sustained in future years.

Of the possible general explanations for the healthy growth in manufactured exports in the 80s, two seem prima facie, more important than the others. The growth in output itself could have stimulated growth in exports. Secondly, there was a substantial fall in the foreign exchange value of the rupee especially during the second half of the decade and this might have increased the motivation and competitiveness of Indian exporters. These two hypotheses have been tested through a two variable regression analysis, where India's dollar exports have been expressed as a function of the rate of growth of output at constant prices and the fall in the dollar value of the rupee. The results are summarised in Table 13. Growth in exports seems to have had a positive link with growth in output: for every 1 per cent growth in real output, exports have increased by 2.25 per cent. The fall in the dollar value of the rupee on the other hand appears to have had a negative association with the dollar value of exports. This presumably means that on the whole export values are fixed in rupee terms and a drop in the dollar value of the rupee leads to a fall in sales realisation in terms of dollars.

Of the six subsectors where the regression analysis has some statistical validi-

TABLE 10. SOURCES OF GROWTH IN PER CAPITA DOMESTIC CONSUMPTION (1980-81 to 1988-89)

(Period averages, per cent per annum)

	Total Growth	Contribution of Income	Price	Unexplained
Edibles	3.5	2.3	0.9	0.3
Textiles	1.7	0.9	0.6	0.2
Other Agro	1.1	0.5	0.4	0.2
Hydrocarbons	4.9	3.4	1.3	0.2
Chemicals	7.0	5.8	1.0	0.2
Silicates	8.2	8.5	*	(0.3)
Metals	1.4	2.4	(1.0)	—
Engineering	6.3	5.9	0.3	0.1
Unclassified	8.3	0.6	7.0	0.7
Manufacturing	4.4	3.1	1.0	0.3

Note: Figures in brackets are negative figures.
* Cannot be interpreted.

TABLE 11: EXTENT AND SOURCES OF SELF DEPENDENCE – FACTORY SECTOR

(Per cent of gross output spent on manufactured goods)

	Total	Materials	Fuels	Gross Investment in Machinery and Equipment	Consumer Goods via Factor Earnings
1980-81	48.5	37.6	1.8	5.1	4.0
1981-82	48.9	37.8	1.9	5.3	3.9
1982-83	48.1	37.0	2.0	5.3	3.8
1983-84	50.3	35.8	2.3	8.0	4.3
1984-85	47.3	35.6	2.2	5.4	4.1
1985-86	47.4	35.9	2.2	5.4	4.0
1986-87	48.9	37.2	2.4	5.4	4.0
1987-88	50.0	37.3	2.3	6.5	4.0
1988-89	51.7	38.1	2.1	7.5	4.0

ty, four (i e, hydrocarbons, chemicals, engineering and unclassified) conform to this general pattern. Exports of textiles, on the other hand, have benefited from the fall in the dollar value of the rupee. One may interpret this to indicate that here India is just one supplier in the global market where prices are fixed in terms of foreign exchange and a fall in the exchange value of the rupee enables India to reduce prices and pick up a more than proportionate increase in volume. Other agro-based products (essentially leather goods) seem to have benefited from both growth and the fall in the exchange value of the rupee.

From the point of view of assessing the effect of industrial growth on the balance of external trade, a more comprehensive and important indicator is changes in 'the import intensity of manufacture' or the CIF value of imported inputs used per rupee of gross value added by the manufacturing sector. This can be measured either in gross terms or net of the value of FOB exports of manufactured goods. For reasons of data availability, estimates of this figure have been possible only for the factory sector (Table 14). In gross terms this figure has fallen from 47 p in 1980-81 to [illegible] in 1988-89. This finding is consistent with [illegible] published estimates quoted by Jalan (1991), according to which the value of imported inputs as a proportion of the value of 'industrial outputs' were 15.7 per cent and 11.2 per cent for 1981-82 and 1987-88 respectively. Net of FOB exports, there has also been a similar fall, from 28 p to 11 p. However, if one looks at a componentwise breakdown of this figure (Table 15), the position seems less satisfactory. In gross or net terms, the fall has come entirely from a reduction in the import of crude petroleum (because of Bombay High) which may not be sustainable. An increase in machinery and equipment and primary sector inputs (excluding crude oil) has been compensated by a fall in manufactured inputs. Of the subsectors hydrocarbons, silicates, metals and engineering are fairly import-intensive in net terms (Table 16). Contrary to popular belief, chemicals are not.

V

Strategy for Industrial Development

Experience has taught us the futility of trying to attain many objectives at the same time. Our analysis suggests that if we concentrate on growth as the main plank of our strategy, many of the other desirable outcomes should follow.

Our analysis also confirms that the three major pre-requisites for growth are a viable market, competitive pressures to ensure that firms respond to increases in demand by expanding supply (and not increasing prices), and availability of supply side facilities like infrastructure, factor endowment, vendor industries, etc. Some countries like Japan and South Korea have developed at the initiative of local companies who initially concentrated on substituting the import of consumer goods. As demand for intermediate and capital goods built up, imports of these goods were also substituted by local production. Exports were an extension of substitution of foreign by local goods in overseas markets. Local companies were protected from external competition at home, but efficiency was ensured by promoting competition amongst local companies and creating good supply side facilities. A second model of development is illustrated by the ASEAN countries where development took place at the initiative of multinational companies (MNCs), mainly American and Japanese. The MNCs set up production bases in these countries to take advantage of cheap labour and supply to global markets.

The second alternative does not seem to hold out much promise for India. Unlike in Malaysia, Thailand and Indonesia, India has a large base of local entrepreneurs whose primary interest is the local market. Even the MNCs seem to be similarly inclined. For the purposes of setting up export platforms, the MNCs are already shifting their attention to Vietnam and China in a big way. These two countries combine low wages with industrial discipline which the communist governments are able to ensure. China also has the advantage of being the natural choice of the overseas Chinese who are prodigal savers and investors. Of her total receipts of direct foreign investment of US $ 11 bn last year, two-thirds came from Taiwan and Hongkong. Another 15 per cent came from the Chinese minorities in Malaysia, Thailand, Indonesia and the Philippines who own very large shares of the total economic assets in these countries.

It does seem therefore that our emphasis should be on exploiting the demand impulses that exist locally by taking a pragmatic view of the rising domestic demand for consumer goods, durables and non-durables, and convert it into growing output. This will pull up the demand for and output of capital and intermediate goods automatically.

TABLE 13: MANUFACTURED GOODS—GROWTH IN EXPORTS AS A FUNCTION OF GROWTH IN OUTPUT AND THE FOREIGN EXCHANGE VALUE OF RUPEE

	X-Coefficients (Std Error of X-Coefficients)		R^2
	Growth in Output	Changes in Rs/US $	
Edibles	1.35	1.02	0.10
	(1.53)	(1.24)	
Textiles	-0.71	0.87	0.35
	(1.60)	(0.88)	
Other Agro	2.89	1.11	0.91
	(1.68)	(0.81)	
Hydrocarbons	4.56	-2.30	0.89
	(1.63)	(1.97)	
Chemicals	1.85	-0.37	0.64
	(2.76)	(3.27)	
Silicates	-0.45	0.52	0.02
	(1.55)	(2.06)	
Metals	1.65	1.51	0.16
	(3.09)	(1.74)	
Engineering	3.46	3.10	0.78
	(0.92)	(1.03)	
Miscellaneous	1.97	-1.67	0.95
	(0.41)	(0.70)	
Manufacturing	2.25	-0.90	0.75
	(1.73)	(1.57)	

Note: The following regression equation has been fitted to annual data from 1980-81 to 1989-90

$$LnY = a + b.LnX_1 + C.lnX_2,$$

where Y, X_1 and X_2 represent exports in million US $, gross output in Rs '000 crore at 1980-81 prices and exchange rate in Rupees/US $ respectively.

TABLE 12: IMPORTS AND EXPORTS OF MANUFACTURED GOODS (1980-81 to 1988-89)

(Rs crore)

	Imports (CIF)	Exports (FOB) Total	Exports (FOB) Factory Sector	(b) as Per Cent of (a)	(c) as Per Cent of (b)	(c) as Per Cent of (a)	As Per Cent of Ex-Factory Value of Output	
							Exports	Imports
	(a)	(b)	(c)					
1980-81	7611	3996	2335	53	58	31	5.2	9.9
1981-82	7663	4724	2742	62	58	36	5.1	8.4
1982-83	8400	4853	2790	58	58	33	4.7	8.1
1983 84	9608	5501	3063	57	56	32	4.8	8.3
1984-85	11350	6354	3708	56	58	33	4.8	8.5
1985-86	13230	6755	3908	51	58	30	4.5	8.6
1986-87	13243	7362	3872	56	53	29	4.4	7.8
1987-88	13315	9759	5240	73	54	39	5.1	6.9
1988-89	17077	13998	7274	82	52	43	6.2	7.5
1989-90	21824	19771	11127	91	56	51	7.5	8.3

It may be asked if this kind of 'consumption led' growth is sustainable in view of the 'narrowness' of the demand base.[2] The answer, to our mind, is an unequivocal 'yes'. As pointed out earlier, sustained growth should lead to increasing productivity, falling industrial prices and a rising demand for industrial goods in the non-industrial sector, especially the agricultural sector. Growth should also increase the industrial sector's demand for its own output, through a process of structural transformation.

Rising demand will be translated into growing output only if firms are motivated and enabled to make their profits from volumes rather than prices. Motivation will depend *inter alia* on two things: competition and a non-inflationary environment. International experience since the mid-70s shows that economies with low rates of inflation have grown rapidly.[3] Inflation affects relative prices and producers are often able to gain at the expense of consumers by restricting output and charging high prices. Secondly, high inflation is normally associated with a high degree of price instability which increases uncertainty and risks and discourages industrial investment.

The ability of firms to expand output will depend on the availability of supply side facilities. In view of difficulties in raising resources for public investment, infrastructure could well become a constraint to industrial growth, unless the private sector is persuaded to play an expanding role in infrastructural development. For this, investment in the infrastructural sector must become profitable, either directly or through its effect on final output. This will require a pragmatic approach to pricing and distribution control.

Not only must the state be concerned with removal of supply bottlenecks, but it should also provide strategic leverages. A good example of this is how the Japanese government stimulated the growth of a powerful 150 million tonne steel industry after second world war which enabled the Japanese automobile, ship building and home appliances industries to become competitive in the world market. In recent times, they have catalysed the development of a highly efficient electronics industry which has lent a cutting edge to a number of other industries. Singapore leveraged its locational advantage by creating phenomenal infrastructural facilities.

As we have seen before, growth and competition may be expected to bring about a fall in ex-factory prices of industrial goods. But for this to be reflected in market prices and have an expansionary effect on markets, government must also pursue a policy of raising revenue from an increase in volumes rather than in the tax rates and administered prices. A useful start has been made with indirect taxes in the 1993 fiscal budget. But a lot remains to be done. Most state governments are yet to fall in line. The tax rates on many commodities are still very high. The cascading effect of taxes on prices remains to be eliminated through value added taxes. Administered prices continue to be raised several times a year.

Rodrik (1990) has emphasised the importance of 'sustainability' in designing structural re-adjustment programmes. From this point of view, perhaps the biggest question mark relates to India's ability to create a large enough trade surplus to service a rapidly increasing debt burden.

It will be unrealistic to expect a pick-up in world trade in the near future. The slowing down in world trade will heighten protectionism and competition. Our analysis suggests that if we are able to achieve a high rate of growth in manufacturing, exports of non-traditional manufactures should increase. But this may not be the case for traditional manufactures like textiles which still account for a large proportion of total exports. Growth, on the other hand, will induce an increase in imports, especially of petroleum products and this could be aggravated by an increase in crude prices. We should therefore continue to take a cautious view of imports. Rather than physical controls, prime reliance should be on tariffs. While a further lowering of the general level of import tariffs will encourage competition and growth, some rationalisation in the tariff structure is called for. The tariff rate should increase at each successive stage in

TABLE 14: IMPORT INTENSITY OF MANUFACTURE—FACTORY SECTOR

	Input Imports (Rs Crore CIF)		Input Imports as Per Cent of GVA	
	Gross	Net of FOB Exports	Gross	Net of FOB Exports
1980-81	5.876	3.541	47	28
1981-82	6.623	3.881	45	26
1982-83	7.695	4.905	46	29
1983-84	8.062	4.999	39	24
1984-85	8.201	4.493	35	19
1985-86	9.556	5.648	36	21
1986-87	8.364	4.492	29	16
1987-88	9.629	4.389	29	13
1988-89	11.783	4.509	30	11

TABLE 15: COMPONENTS OF IMPORT INTENSITY OF MANUFACTURE—FACTORY SECTOR
(Per cent of GVA)

	Total Inputs Imports	Crude Petroleum	Other Non-Manufactured Inputs	Manufactured Inputs	Fuels	Machinery, and Equipment
1980-81	47	23	2	17	2	3
1981-82	45	23	2	15	2	3
1982-83	46	24	3	14	1	4
1983-84	39	17	2	13	1	6
1984-85	35	14	3	13	2	3
1985-86	36	13	4	14	1	4
1986-87	29	7	4	13	1	4
1987-88	29	9	3	12	1	4
1988-89	30	7	4	13	1	5

TABLE 16: IMPORT INTENSITY OF MANUFACTURE BY SUBSECTORS—FACTORY SECTOR
(Input Imports as Per Cent of GVA)

	Gross		Net of FOB Exports	
	80-81	88-89	80-81	88-89
Edibles	14	8	(2)	(3)
Textiles	8	10	(33)	(35)
Other Agro	12	17	4	(13)
Hydrocarbons	494	102	485	81
Chemicals	37	30	25	8
Silicates	24	21	17	18
Metals	43	48	30	35
Engineering	26	24	12	13
Unclassified	20	19	(2)	11
Manufacturing	47	30	28	11

Note: Figures in brackets are negative figures.

the value addition process with a view to encouraging value addition within India. Secondly, there should be a long-term thrust on efficient import substitution in some critical areas, like oil (by other forms of energy), metals, agro-based products and services.

From the role of the state, we may now turn to the role of the firm. The development process suggested here will lead to a natural transition from consumer to intermediate to capital goods, and from labour to capital to knowledge-intensive technology. The sequencing of development in India has on the other hand been similar to that in planned economies, like China and east European countries. The emphasis has been on building manufacturing capacity for intermediate and capital goods and limiting the growth of consumer goods. The resequencing of development, in line with natural transition, will call for a two-dimensional restructuring at the firm level. First, the imbalances will have to be corrected by shedding excess capacity in pockets of surplus and by creating new capacity in pockets of shortages. In the process, resources will be re-allocated between firms, products, factors and geographical locations. Secondly, a qualitative upgradation of both existing and new capacity will be required to increase productivity and competitiveness of Indian industry.

Indian companies have tended to add to their product portfolio as finance and industrial licences have become available, without any reference to their core competencies. They will have to identify and develop their core competencies and build their product portfolios around these. Companies that do this successfully could end up with a trimmer portfolio, but the loss of revenue if any will be more than offset by the consequent shedding of costs.

The usual approach to downsizing in the US and Europe is to reduce costs by shutting down plants, retrenching people and squeezing suppliers. A second approach, often used by Japanese firms, is to keep existing ties intact, but postpone expenses like new investments, new recruitments and even wage/dividend/supplier payments. For a developing economy like India's, the scope for the latter approach should be fully explored.

Companies have traditionally sought to reduce costs by setting up large, integrated plants. But recent trends indicate that outsourcing (or buying out) can often be a more cost effective alternative. Recent developments in technology make it possible to produce economically in small batch quantities. The Japanese method of 'lean manufacture' achieves this in the engineering industry by eliminating the inflexibilities and the 'flab' (like excess inventory, re-work, factory space, etc) essential for uninterrupted large-scale production. The small steel plants in the US have brought down optimal capacity from seven million to one million tonnes, by developing new technologies like small furnaces, continuous casting, 'coil-box' rolling, etc. Secondly, small, highly specialised vendors are able to reduce costs through higher efficiency (e g, Japan's Keiretsu, Europe's state of the art component suppliers, California's Silicone Valley). And thirdly, by decentralising development to small units, commercialisation of innovations is speeded up. In India too outsourcing is gaining ground (e g, in automobiles, pharmaceuticals, consumer goods, etc), but the main reason seems to be the wage and tax advantages of small firms rather than any fundamental technological or economic considerations.

MNCs have kept costs under control by shifting production bases across countries. Prima facie, there is much scope for reducing costs by relocating production bases within India. Owing to government regulations, companies have so far been limited to finding new locations for their new projects only. It will be worth examining the scope for relocating existing facilities.

Companies try to achieve economies of scale by pooling resources. One way of doing this is through mergers and acquisitions. A more recent development is strategic alliances. Machine tool manufacturers in Germany have come together for sales, distribution and servicing in international markets. Several automobile manufacturers have finalised joint manufacturing arrangements whereby one manufacturer will produce specified parts for all. German producers of steel have joined hands in certain areas of manufacture. In a regulated environment like India's, takeovers have largely been limited to those from multinationals and strategic alliances have been practically non-existent. But two recent deals indicate that these could offer interesting opportunities for cost reduction.

A recent study by the Harvard Business School [Porter 1992] indicates that the firm level approach to industrial investment in 'profit'-oriented countries like the US is different from that in 'growth'-oriented countries like Japan and Germany. The US companies plough back a smaller proportion of their added value and pay out a higher proportion by way of wages and dividends. They also spend a higher proportion of their investment on physical assets like plant and equipment. The Japanese firms on the other hand spend a much higher proportion on building the three basic foundations of long-term competitive advantage: knowledge (e g, R and D, HRD), reputation (e g, corporate/brand image) and what Kay (1992) calls architecture (a stable relationship between the firm and its customers/vendors/employees/shareholders). In a protected environment, the approach to investment in Indian firms is likely to have conformed more to the US model and will need to be re-oriented.

Notes

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1 See Bhagwati and Desai (1970), p 91. They find that between 1951 and 1957, emphasis was on import substitution of consumer goods, followed by capital and intermediate goods. Between 1957 and 1963, the priority shifted to capital goods, followed by intermediate and consumer goods.

2 For a discussion of 'consumption-led' growth, see Kelkar and Kumar (1990).

3 See 'Zero Inflation' in *The Economist*, November 7, 1992 (pp 21-24).

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Electronic Reorganisation of Manufacturing
A New Techno-Economic Paradigm

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The study examines the predicted and actual impact of new flexible production technologies on industrial production organisation in industrial countries. By outlining the problematic context in which these technologies evolved as appropriate responses to certain challenges faced in production and distribution, it then highlights the point that these technologies have contributed to productive integration as also decentralisation at the domestic and international levels. Evidence gathered here does not fully endorse the relocationist or anti-relocationist (trade reversal) views. In general, it seems we are in a non-monotonic flux of 'much can be said on both sides'.

Introduction

WE know that process technology is the technology that determines the way in which products are made. This review article is just an exploratory inquiry into new process/manufacturing technologies *stricto sensu*, in particular of microelectronics based or computerised production technologies. In what way do these new technologies impact on the 'make-buy' or production sub-contracting policies of firms? That is the complex question that especially concerns us here.

The general model of technological choice for less developed countries (LDCs) *a la* Frances Stewart conveys us that since LDCs are largely technology recipients and developed countries (DCs) technology originators, the 'technology in use' in an LDC is a function of 'technology available' to that country, which in turn is a function of the development of 'world technology' (basically in DCs). In this three-stage model which is needless to be elaborated here,[1] if we note that 'technology in use' in an LDC is ultimately structured by the 'selection mechanisms' prevailing in that country on the basis of diverse producers with diverse objectives and diverse as also certain common (economywide) constraints and opportunities, then it would be fruitful to probe further into the make-buy decision processes of large and small-medium firms in the modern industrial sector—multinational subsidiaries, joint ventures, purely technology importing and non-importing firms etc, all with export orientation or domestic market orientation or a mix of inward and outward looking. Such research would help us understand with policy implications, the role of inter-firm linkages in economic development in general, and in large firm based dualistic development and small firm based regional development in particular. This task would be all the more interesting in the recent context of policy reforms in India where, broadly speaking, policies of 'shou' (restriction) have given way to policies of 'fang' (liberalisation, in Chinese) by way of 'deregulation-cum-opening up' in order to set this 'morbid and moribund tiger' free for a 'healthy and vigorous' growth.

However, research on these lines, especially in terms of the impact of technological change (new products and new processes) on the subcontracting behaviour of firms, is conspicuous by its absence. Moreover, it calls for primary studies, at least on industries rich in vertical linkages, with the usual attendant problems of non-response from the sample firms for an individual native researcher. Of course, there have been occasional newspaper and business magazine reports, for example on automobile and electronics industries, which seem to suggest that the entry of new products and processes through foreign technical collaborations/direct investments does not augur well for the modern small-scale subcontractors and ancillary units which have been tuned to conventional (mechanical and electro-mechanical) technologies.[2]

However, the present use and diffusion of the newly emerging technologies already points to a wide application and a sustained economic impact in the DCs. In the light of a large body of literature on this topical subject in these countries, the discussion here is organised as follows: Section I deals with nature and effects of electronic controlling of machines, Section II with flexible automation of final assembly and parts making, Section III with Computer Integrated Manufacturing (CIM), Section IV with impact of CIM on production organisation, and finally Section V deals with CIM and international sub-contracting of industrial production, in particular.

I
Electronic Controlling of Machines

Microchips are used not only in several products,[3] but even in the machines that are used to make them. Consequently, worker control of machines has been progressively eliminated and the unit of control has been installed in the machine itself. This has altered the production techniques and the connected labour process. The trend in engineering firms has been to replace mechanical and electro-mechanical controls by electronic control systems.

The objective of this replacement is to drastically reduce the machine shop work in production. One such instance, where a manufacturer of control units for machine tools in Italy shifted from electro-mechanical to electronic control systems is as follows: "With the appearance of micro-electronics in the 1970s the firm began to run down its machine shops and progressively intensified putting out which eventually accounted for 60 per cent of production costs. At this time the firm employed about 500 workers directly and over 900 indirectly as outworkers. A couple of years later with the introduction of automation the firm recentralised production and an estimated 600 outworkers lost their jobs."[4]

The electronic controlling of machines with microchips has the capacity of replacing almost all human activity in factories. A study points out that "in industrialised countries, over half and possibly three-quarters of the functions carried out by plant operators demand no more observation, analysis and decision than can be performed by quite modest micro-processors as they have been developed to date".[5]

With prices falling by the day and their cost constituting just a fraction of the annual cost of a worker, there has been rapid acceptance of micro-processor/microcomputer based capital equipment, not only by the big but even the medium and small firms.[6] According to some estimates, "the relative price of a robot to a worker dropped in the 1970s from about four times to 1.4 times, owing to rapid wage increases on the one hand and increasingly competitive pricing of robots through cost improvements in production on the other. This trend will certainly continue, so that the robot becomes a cost effective labour substitute, even without taking account of the fact that the robot requires no fringe benefits or holidays, can work extra shifts, needs no tea breaks, does not engage in labour disputes and provides a consistent level of quality output that human labour cannot supply."[7]

The amazing flexibility of a microprocessor's use by reprogramming has made irrelevant the top managements' strategies of overcoming the problem of

changing the functions or methods of operating in a workforce. Moreover, micro-processors and the related automation have become the most important 'strike-breaker'. For instance, in the US, "during the well known strike of 1975 in the aerospace industry, McDonnel-Douglas' management was able to maintain production at 60 per cent with the use of micro-processors and automation. In another well known strike in 1973, General Motors' management was able to easily shift production from one sector of the industry to another by the use of micro-processors that have predesigned all the different changes required in the labour process."[8]

The above are some powerful factors hastening the shift from labour intensity to capital intensity in manufacturing industries. As Sir Maddock has pointed out, until the advent of the minimarvel microchip, "the capital equipment which was needed to displace labour was very expensive, at least (in ball-park terms) 10 times the annual cost of labour and frequently as much as 100 times. This meant that the management in a factory had to make a careful judgment as to its capital-labour ratio. Capital was a fixed cost and a liability in slack times; labour was a variable cost and thus, until recently, could be shed in bad times." Now no such constraint is faced [9]

II

Mass Production vs Flexible Automation

As long as markets expanded till the early 60s, mass production for Fordism had its hey-day. But when relative market stagnation set in alongside the rise of labour absenteeism, turnover and rebellion, the employers realised the futility of the semi-automatic mass producing assembly lines and the mainstream economics suddenly discovered 'diseconomies of scale'. The changing product market conditions induced countervailing trends in the work organisation that disproved the inevitability of monotonous deskilling of workforce as propounded by Braverman.[10] Small, 'semi-autonomous work groups' trained in a large number of operations and not subject to rigid job description, and with pay levels linked to training, were suddenly hailed for their 'job enrichment and satisfaction'. But in reality they amounted to increasing the flexibility and work intensification by increasing the skilled content of production work. A classic example of these experiments has been that of the Swedish automobile maker, Volvo. [11]

In this milieu, a new science of ergonomics—a mixture of engineering, medicine and psychology—took off to study human performance and human factors in work, machine control and equipment design. It amasses knowledge of movements of major body sections, perceptions and cognition, work environment and organisational aspects of work, in order to increase operational efficiency and operator safety, and to ensure reduced but optimal efforts by the worker.[12]

However, the ultimate thrust of production engineering has been towards the application of micro-electronics based technologies. The use of microchip based capital equipment has become absolutely necessary to slash costs, allow variation in product and cope with the pressing innovative era of shrinking product life cycles. Technological change has reduced the life cycles of manufactured goods in general to 4-5 years and consumer electronics in particular to 2-3 years.[13] As such, flexible automation of final assembly as well as parts manufacture has been a better option than the radical experiments made in the 60s and early 70s to ergonomically restructure special purpose, dedictated (old-fangled Fordist) assembly lines into many bays or islands of reskilled workers, which then encountered the bottleneck of inflexible (special purpose) machine capacities in the firms supplying parts and components.

It is in this problematic context—how to have a wide-ranging machine capacities for long runs and more urgently, for short medium runs to match the complete range of marketing needs— that we must need posit the panacea—both at final assembly and parts making levels—provided by programmable capital equipment, viz, computerised machining centres[14] and industrial robots, the two wonders of the chip age.

It may be noted that in conventioal final assembly of high volume identical product, special purpose machines or 'troublesome' humans (or a mix of both) are used. The specialised machines are very expensive, but are fatigue-proof, efficient sum of jigs and fixtures (special tools and parts holders). They are built to repetitively perform one fixed operation or a closely related series of operations on just one product. When models on the production line or product designs change, these machines cannot be altered immediately. Even a slight variation in parts (because of errors usually arising from the tolerance limits within which all production processes are permitted to vary) have often been found to jam the machines as much as a third of the time.[15] But adaptive (in relation to errors) and programmable (in relation to model or design change) robots have been used in Japan to make even mass production (justified by the market size) flexibly efficient.[16] However, by late 1970s itself it was found that high volume assembly consisted of only 5 per cent of all goods manufactured in industrialised countries.[17]

The real challenge has been to profitably automate low volume assembly of majority of end-products, i e, products manufactured in batches, with wide style variations and short design lives in small quantities. Here too intelligent robots (i e, tools with minds of their own) or robots with cognitive planning, and which can rotate, bend, extend, or move up and down, right and left and which are instantly reprogrammable to adapt to product change, have begun to take up positions to ultimate assembly lines.[18]

Though robots have generally been deployed in tedious and hazardous work, the thrust of their development has been towards higher speeds, sight and touch sensors, and miniaturisation. In Japan, intelligent robots have already successfully taken up small assembly runs of pumps, compressors, air blowers, speed-change gears, calculating machines, typewriters, woollen yarn knitters, sewing machines, freezing machines, extinguishers, valve cocks, gas appliances, oil appliances, ventilators, washing machines, lighting fixtures, radio sets, television sets (household electric appliances), semiconductor elements, integrated circuits (electric and electronic parts), automobiles and auto parts and so on and so forth. Intelligent robots have come into the inspection process too.[19]

Flexible automation of parts manufacture at the small- and medium-size subcontract or independent units have developed in tandem with computerised small-lot final assembly as demand for parts in small-medium lots has shot up. Here also computer technology has created general purpose numerical control machines and intelligent robots and overcome the uneconomical problematic of small-batch engineering.[20]

In this connection, it may be noted here that the operators of traditional general purpose machines (the lathe, the milling machine, the drill press, etc) performed the following seven functions:[21] (1) move the proper piece to the machine; (2) load the workpiece on to the machine and affix it rigidly and accurately; (3) select the proper tool and insert it into the machine; (4) established and set machine operating speeds and other conditions; (5) control machine motion, enabling the tool to execute the desired function; (6) sequence different tools, conditions and motions until all operations possible on that machine are complete and (7) unload the part from the machine. With the development of numerical machine control from the mid-1950s by way of punched-tape information storage and then by magnetic-

disc storage or computer memory storage (which yielded a computer-numerical-control system that simplified the editing and altering of parts programme and made it possible for the computer to take over several auxiliary functions like preselecting the next tool and having it ready when it is needed), and then by direct numerical control system (whereby a group of machines is controlled by a single computer), the following computer-managed parts manufacturing system came into existence. "..a number of machines are linked together, not only through a common control computer but also through a part-transfer, load/unload system. Apart from tool and machine maintenance, the only direct operator activity is attaching the workpiece to special pallets (load) and removing the finished product (unload). Once a workpiece has been loaded and the computer has been informed that it is ready to enter the system, the computer takes over, routes the workpiece to the necessary machines, selects the proper tools, executes the proper operations and when the part is finished, returns it to the operator for unloading. At the machine itself all seven of the required functions have been automated, with the result that the operator services a system of machines rather than a single machine."[22] This system, eminently suitable for small-batch parts making, has been subject to further advancements like increasing the speed of processing and so on. The severe headache of 'set-up costs' has been thereby successfully prevented.

We are thus far dealing here with flexible automation at both final assembly and parts making levels. So much on this theme. The central point that follows, in the words of an OECD Industry Committee's report, is that micro-electronics based or computer production technologies, "because of their high degree of flexibility enable low production costs to be attained even for small production volumes. This increase in the *economies of scope* of the manufacturing process thus no longer requires long runs to be produced to obtain important reductions in unit cost."[23] Economies of scope due to flexible manufacturing (i e, flexibly using shared inputs in the process of producing diverse products in order to satisfy consumers' demand for diversity and quality) thus characterises the new techno-economic paradigm, in contrast to the economies of scale associated with dedicated manufacturing (i e, using highly specialised capital equipment to turn out standardised/identical high volume goods). In nutshell, flexible manufacturing has smashed the obstacle of capital fixity (i e, horizontal constraints on capital as in Fordist assembly lines) and has the power of flexibly using capital to produce different varieties of products.[24]

III
Computer Integrated Manufacturing (CIM)

Computer controlled assembly and parts making are components of the larger system called Computer Aided Designing/ Computer Aided Manufacturing (CAD/ CAM) or Computer Integrated Manufacturing (CIM) for short. CIM has six functional areas.[25] (1) design; (2) storage and retrieval of information about the parts being manufactured; (3) management and control of available resources (labour, machine time and materials) according to changing demands; (4) handling of materials; (5) control of machine tools and other single-purpose machinery; and (6) control of robots. The synergetic advantages of CIM are dependent on the development of data processing technology in each of these functional areas.

Under CAD systems, the designer makes an initial estimate of the shape of a particular object, views it on the screen (visual display unit of the computer), analyses it and successfully refines it. Once he or she is satisfied with the simulated solution as seen on the screen, the computer produces a good clear drawing of it more accurately and in less time by using a suitable printer. Under this system, there is no need for a well-trained draughtsman, and costs can be much reduced.[26]

Storage and retrieval of information about parts, whereby a precise knowledge of the location of specific items at any instant of the manufacturing process could be obtained, is organised by Group Technology or Cellular Manufacturing System. That means that parts with similar geometry and machining requirements are grouped so as to reduce retooling and re-setting. Also machine tools, manpower and processes are grouped to treat a specific group of parts. The highest form of this organisation is called Flexible Manufacturing System (FMS)—a combination of numerical control, robots, conveyors, automatic warehouse and computers. The computerised transport system in FMS makes quick adjustments to reflect changes in the mix of parts being machined or assembled. FMS is said to be the heart of CIM.[27]

For optimum utilisation of available resources, a system of Manufacturing Resource Planning and Control is adopted. According to this, estimates of inputs can be made by extrapolating backward from the delivery date for the assembled product. This reduces inventory (finished or work-in-process waiting). In this connection, the Japanese 'Kamban' (or 'Just-in-time') system of reducing stocks by making available right items in right amounts in right time is famous and fairly well known. There is another, recently reported, inventory reduction system called Optimised Production Technology. This was lately developed by the Israelite, Goldratt and used at the General Motors' plants. There are three variables in this system: throughput (the rate at which a production system generates money through sales), inventory (the money invested in raw materials), and operating expense (the money spent on turning inventory into throughput, including money spent on labour). The system maximises profits by increasing throughput and decreasing the inventory and operating expense.[28]

The advantage of CIM is that materials handling is done by robots and any faults in CIM can be easily detected by plugging them into a computer.[29]

The ultimate aim of CIM is to build paperless, unmanned 'flexible-make-anything' factories for assembly or parts making or for both. Designing, manufacturing, process planning, testing and inspection and information flows are all integrated by computer technology. The computerised numerical tools and robots can even be programmed to do 'ghost shifts' (night shifts) with just one or two workers to keep an eye on things. However, even such sophistication cannot do away with the essential technically qualified superviosry and maintenance personnel.[30]

Under CIM, lead time (i e, time taken to put a product in the market), inventory waste, number of machine tools, material content and cost, labour content and cost, machine downtime (i e, time taken in resetting machinery specification from one size or type of product or component to another), average number of operations per part, energy consumption, total average processing time from raw-stock to finished product, and overall overhead charges, will all decline. The production system's size as a whole will shrink, that is, space efficiency will increase. Desired capacity can be built in less space with smaller building and supporting facilities. And there would be no labour management problems. Machine utilisation and product yield and quality will shoot up. The break-even point will appreciably collapse. The cost of manufacture per unit of output will fall and real rate of return on CIM will rise. Above all, CIM provides short life options and facilitates better customer service.[31]

The immense benefit from CIM will be the elimination of "60-70 per cent of the current costs of manufacturing that have nothing to do with the physical tasks involved but depend on planning, scheduling and control of the equipment and the people who operate that equipment".[32] The cost of wasteful inventory is said to be about 30 per cent of the total material cost. The direct labour cost will decrease to 5-15 per cent (or even further) of total

cost.[33] The break-even point is expected to be 30-35 per cent of capacity due to CIM, instead of 65-70 per cent for conventional plants.[34] Finally, CIM experts foresee a time when such a system will be downsized in such a way that 'micro-factories' could be set up anywhere within a few hours notice.[35]

To reiterate and sum up, following Blois, the overall effect of CIM (by way of flexibility in product design and product mix, rapid response to changes in market requirements, reduced work-in-progress, greater control of processes, greater predictability of maintenance requirements, distributed information processing and small minimum order quantities) is "to offer the possibility of manufacturing a variety of complex objects in batches ranging from very small to large, at a cost per unit, regardless of the batch size, which is of the order of less than that usually associated with mass production. Furthermore, the system can respond more rapidly than most manufacturing processes to changes in market demands."[36]

IV

CIM and Production Organisation

Theoretically, CIM permits a company to internalise final assembly and parts making under a single roof; it also permits subcontracting at both domestic and international levels on the basis of technical division of labour between different, geographically dispersed plants of the same firm or of different, legally independent firms. The spatial separation between plants can be almost instantly merged with the aid of 'Information Technology' or Telematics'—a mixture of electronic components, computers and telecommunications.[37]

In reality, CIM has had a two-fold impact. There is evidence to show spatial expansion of domestic subcontracting into international subcontracting. There is also growing evidence to show spatial contraction of international subcontracting into domestic subcontracting or complete internalisation by the single-plant or multi-plant parent firms. At present there is indeed the difficulty of pointing out which of these trends is dominant.

Let us consider here the interesting proposition that computerisation is compatible with subcontracting of parts making. According to a source, since the tapes and computer programmes are highly portable, numerical control increases the possibilities for management to transfer work elsewhere in the United Kingdom or abroad. Numerical control and computerised machine tools pose a threat to the effectiveness of stopping subcontract work, transfer of work abroad and strikes. With the development of micro-electronically based satellite the transfer will be further facilitated. This trend is further augmented by current research in the UK, initiated by the US Airforce to develop a computer language to 'enable all the thousands of subcontractors to aerospace to speak the same language' [*The Engineer*, November 28, 1978].[38]

In the near future, computer language is expected to do away with the conventional way of issuing drawings or samples to a sub-contractor. Instead the geometric data and machine-tool programmes needed to shape a product would be transferred electronically to the sub-contractor's computer. Orders from major customers or to sub-contractors/suppliers will be electronically transmitted.[39] This way, high quality conformance of subcontract work—faithfulness with which the product manufactured by the sub-contractor conforms to the design specifications of the parent firm—could be maintained. For example, General Motors is reported to have taken a leaf out of Toyota's book, and is said to have "got its suppliers hooked into its vast computerised information net, allowing them swap data with the giant motor maker as a first step towards integrating them wholly within its CIM environment".[40] Elsewhere it was mentioned that: "In a $40-billion plan to integrate all its manufacturing using computerised tools, sensors and data collection, General Motors has issued terminals to all its main suppliers and tied them into its own information network. Suppliers will eventually track production and deliver components to General Motors' factories as they are needed. They will also collaborate on developing new components for future models."[41]

CIM has become as important to small manufacturers as to big. For one thing, the sub-contractors cannot survive without it, as they face the threat of being cut off. CIM has become, or will become, affordable even by small job shops with the continually falling cost of computer power in terms of 'price per instruction per second' (PIPS).[42] In fact, custom-made computerised production scheduling and sequencing packages for each machine or work centre have already been developed for small and medium firms in the engineering industry to make available each assembled finished product by a preset date. Apart from this, computerised systems for small firms provide them control over stocks, work-in-process monitoring, as well as capacity forecasting, that is 'whether the capacity available on each work centre needs to be adjusted in the light of the number of orders received or planned'.[43]

Keeping with this trend, recent evidence shows that CIM is fast diffusing among small firms and that big corporations are offloading work to them on subcontract: "Disbursement of production towards... smaller manufacturing units is progressing remorselessly...industrial boutiques run by small independent operators with all, the latest CAD-CAM techniques are emerging as contractors to mainstream corporations, many of which eventually be forced to offload their manufacturing units and buy in tailor-made products."[44]

Since CIM erodes economies of large-scale in manufacturing many big corporations are likely to just concentrate on and derive scale economies in the fields of R and D, sales and marketing.[45] This contradicts the viewpoint of certain writers that micro-electronics technology will inevitably increase business concentration and recentralisation of production such that "small businesses and subcontracting arrangements are particularly vulnerable".[46] The point is that while the microelectronics-based redesigning of products eliminates much of subcontractable work by resulting in low-cost, component count.[47] there is no reason why mainstream corporations should not subcontract out small-lot assembly and parts manufacture to small and medium firms equipped with CIM or FMS. Of course, the mortality of the suppliers, using conventional technology, will rise in the process.

That CIM's diffusion has already become evenly spread among big and small firms may still be questionable at present. But we can hold for certain that various subsets of such a system (for example, FMS), have been fast emerging nonetheless, and that by the 90s, CIM would become a fairly generalised phenomenon in the highly industrialised countries due to the unprecedented speed with which prices of components, computer power and telecommunications are falling.

The spread of CIM/FMS is extremely rapid in Japan, followed by the US[48] and elsewhere. The urgency in Japan is due to "a simple an inescapable fact that the Japanese economy and Japanese companies are faced with the prospect of a workforce diminishing in size and increasing in age".[49] In the US, FMS is considered ideal for sub-contractors/suppliers. Many sub-contractors may be too small (individually) to afford CIM or FMS at the present rates or consider the switchover a risky, tantalising love affair, so to speak. But there is no reason why they should not "band together to share a flexible manufacturing centre, making spindles for washing machines one minute, wheel bearings the next, then switching to precision mounts for a microscope maker, crankshafts for diesel engines, microwave cavities for radar equipment, nosecones for missiles, and so on. This would reduce investment risk for the individual firm, while providing a higher return for the CIM plant as a whole."[50]

CIM/FMS and International Subcontracting

With the economics of production changing in such a way as to make labour costs less and less important, neither cheap labour in the LDCs nor expensive labour in the DCs enters the calculus of competition. One would expect multinational corporations (MNCs) to retreat from low-wage countries and plant themselves in their home-countries or areas of market growth elsewhere. There is some evidence to support such an expectation. For example, the American giant, IBM, after switching over to CIM or finding indigenous CIM-equipped suppliers, "has brought numerous jobs, previously done offshore, back into the US".[51] Or, consider the recent, fascinating story of another American company, Allen-Bradley, which found an alternative in CIM to going offshore or going out of business.[52]

Allen-Bradley, a small company located in Milwaukee, makes industrial controls (electric motor controls used in industrial machinery). Its market share dwindled in the US due to competition from the European and Japanese counterparts who made the controls lower in price and smaller in size than Allen-Bradley's. In order not to sink, the company's top management considered three options: offshore manufacturing, joint venture or making controls similar to the rivals' under licence. But "Allen-Bradley decided against using cheap labour because it discovered that supposedly low cost manufacturing operations can be deceptive. One Mexican plant pays assembly line workers only $1 an hour. However, because lack of automation means hiring many supporting workers such as warehousemen, total labour costs per assembly line worker run as high as $13 an hour—only $3 less than the rate, including benefits, of workers in Milwaukee." Instead, the executives and engineers of the company examined the production processes of the French, German and Japanese rivals and then decided to massively invest in CIM facilities. The company produced 60 per cent of automatic machinery (including programmable robots) in-house and procured 40 per cent from sub-contractors. The automated assembly line that came into existence is unique: it can turn out variegated products—simple and complex—in small lots as small as a single unit ('one-off') with unheard of speed that did away with the parts inventory problem. Its inventory management is superior to the Japanese 'just-in-time' which does not allow making lots of one at mass-production speeds. Allen-Bradley achieved the dream of the Japanese to make goods flow like water through the line.

Allen-Bradley now produces everything in-house except springs (which are sourced from a sub-contractor on a just-in-time basis) and screws and coils (which are procured on a large scale and stored until needed). Only four technicians are employed "who load the assembly machines overnight with just enough raw material and parts to take care of the next day's run". This small company now can outcompete its previous out-competitors.

Such example are not exceptional. Come to Asia's newly industrialising countries, which have been the dreamlands for MNCs since a long time. In 1984, the Japanese company, Sord Computer Corporations pushed off from Singapore and went home. Similarly, Hitachi, Fugitsu and General Motors have also moved their assembly lines back home.

The reasons:[53] rising labour costs and opposition, shortage of skilled technicians, conflicting governmental intervention,[54] and more importantly, cost-cutbacks in home countries due to robotics and state-of-the-art technology. For example, foreign subsidiaries in the field of consumer electronics in Hong Kong or South Korea that once relied on thousands of workers to wire radios or solder television components now find that robots—either in Asia or, more importantly, at home—can do the job just as well and less expensively. In 1980, General Motors moved its radio manufacturing out of Kokomo, Indiana to Singapore and Mexico but by 1987, the company expects to expand again in Indiana, thanks to a combination of concessions from the United Auto Workers and a revolution in computer-driven technology. The American chip maker, Motorola has established automated plants in Arizona and is no more bothered about labour costs in the US or in Asia. Honda too has robotised automobile assembly in Japan and is least bothered about labour costs. Control Data Corporation is said to have closed its 15 year old plant in South Korea in 1982 when workers striking for higher wages reportedly halted production and held American executives hostage. Other companies, including Doe Chemical, Matsushita, Pioneer and Sony contributed to the exodus. However, the source which stressed this trend in 1984 also pointed out that twelve of the world's largest disc-drive manufacturers had set up shop in Singapore and that "more are coming"!

Consider traditional labour-intensive trades such as textiles and garments. These trades can now turn into hi-tech categories with high levels of R and D and computer software. There are self-programming robotic arms and laser beams for garment cutting. There are microprocessor based control systems for designing, sewing patterns, fast stitching, knitting heads and ink injectors so as to provide variegated designs and colours. Computer control systems are also feasible for tooling, production planning, scheduling, machine control, inspection, quality control, storage and marketing. There is a view that since these technological advancements provide competitive edge, not labour costs, relocation of hitherto internationally subcontracted work must follow.[55] But what is the evidence? A source points out that relocation back to the north has not yet taken place on a significant scale and the introduction of flexible and integrated automation systems is not yet a reality for this industry.[56] Interestingly, a more recent source indicates that in some sub-processes of the garment industry trade reversal has already occurred and is likely to occur further.[57] But note that there is also clear evidence that the most labour-intensive operation, machining or sewing has been brought back home and increasingly farmed out for subcontract to cheaper home-workers (women)in the UK and Italy instead of being automated.[58]

In the automobile field, trade reversal is expected in some of the parts and components presently subcontracted to the LDCs. The complete manufacturing cycle will get closer to the final markets and the logic of building 'world plants' and shipping parts across borders will be seriously undermined. For example, in the 70s General Motors set up three engine assembly plants in Austria, Australia and Brazil to meet its global needs for a new engine; its 80s strategy for the US is to have all component suppliers within 100 miles radius of its final assembly plant.[59] This contraction of international subcontracting into domestic subcontracting is attributed to the adoption of computerised 'just-in-time' type of inventory control.

Take the case of consumer electronics. It is true that automatic insertion and VLSI (very large-scale integration) components have enabled MNCs to withdraw from cheap labour peripheries. But multinationals have also transferred automatic devices and super-chip production to the peripheries.[60]

Finally, let us consider chip assembly and testing in the field of components. Here the dominant trend, according to some scholars, is trade reversal due to development of automated facilities. The reason, for example: "With the manual technology of the 70s, Hong Kong production costs were 33 per cent of those in America; with the semi-automatic technology of the early 1980s, the advantage had fallen to 63 per cent; but with automated assembly lines installed in 1983, production costs in Hong Kong were marginally lower (8 per cent) than those in the US".[61]

Trade reversal is also attributed to the chip makers' need for closer customer/end-user contact, elimination of logistics problems, and to generous incentives and heavy investments by governments of some DCs to create jobs and develop national capabilities.

Three particular developments have been clearly noticed in the chip assembly and testng since the mid-70s: first, investments into offshore lines have been slowing down; secondly, employment in offshore locations has stagnated or might have declined; thirdly, and more importantly, value added in offshore manufacturing has been falling which is a reflection of the changing economics of semiconductor/microchip production due to automation at both onshore and offshore locations.[62]

However, we must note that the shifts of multinationals in this field have been rather very complex to fathom. There are shifts within OECD countries. Then there are shifts between the 'centre' and 'perphery' within OECD. For example, Ireland, Scotland and Wales were reported to be emerging fast as the most important European periphery attracting the chipmakers to service the nearby huge and dynamic markets. Many or some of the existing assembly and testing facilities in the LDCs, especially in south-east Asia, are likely to continue functioning, albeit with labour displacement due to computer based automation. Already such a trend has been witnessed. This has been or will be complemented by new forms of international subcontracting related to design and wafer fabrication (silicon foundry service) so as to situate the entire manufacturing cycle within the periphery itself (for example, in south-east Asia).[63]

Some more proof can be mustered up to show that the interest in the less developed periphery has not yet been dead. In 1983, there was an upsurge in capacity investment in offshore facilities. Besides offshore is still important to the onshore as a buffer against the extreme crisis vulnerability of the chip industry. The noted authority, Ernst adds: "Since 1982..virtually every major captive or merchant US semiconductor firm has added final test and burn-in to its offshore assembly activities. In fact, substantial amounts of money have been spent on transferring expensive automated test equipment to offshore locations. In addition, independent testing and burn-in sub-contractors in Singapore and Manila have substantially stepped up their activities. As a result, the test equipment which can be found today in Asia matches the equipment found at a US firm's domestic facilities!' As regards design, "there has been a proliferation of so-called 'satellite design centres linked to new start-up companies focusing on application-specific devices, particularly in the field of telecommunications. Such independent desing centres are emerging in southeast Asia". With regard to silicon foundry service, "the 1983-84 supply crunch for key memories and microprocessors has forced leading US semiconductor firms to look for new and unconventional approaches to a world-wide sourcing of wafer fabrication. Intel, for example, has established the concept of 'die contradicting' which means that other companies use Intel masks to produce each die, which Intel then puts into a package and sells as an Intel finished product."[64]

Further, relocation to the less developed periphery may or will continue because of the need to run capital equipment round the clock (7 days a week, 3 shifts a day) without any need to comply to labour or environmental regulation. An instance is Siemens' move to the less developed periphery in the 80s. Furthermore, relocation will continue to advanced or new areas of the periphey because of shortage of skilled/qualified engineers (for instance, as in the erstwhile West Germany) in industrial countries and the availability of cheap 'human capital' (engineers and technicians) in the LDCs such as India and China.

This is not all. The mobility of the multinationals is checked because it is not easy to dismantle the already entrenched international production and marketing networks. Instead of dismantling, worldwide decentralisation of automated production would be synchronised with integrated system of transborder data flows under the control of the headquarters' management of the MNC concerned.[65]

It thus follows that the opinion that relocation (to the home countries of multinationals) of hitherto internationally subcontracted production must follow due to the new technologies should be taken with fairly large pinches of salt.

Notes

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1 See Frances Stewart, *Technology and Underdevelopment*, MacMillan 1978, Ch 1: The Technological Choice.

2 Just for instance, the shift made by the Indian Telephone Industries (ITI) in making exchange line equipment from electro-mechanical regime to electronic regime, was reported to have led to the irrelevancy and the hue and cry of its 94 ancillaries based on electro-mechanical technology; the new digital systems involved just assembly of a number of critical components (resistors, capacitors, transistors, integrated circuits, etc) and subsystems which could only be made in relatively large volumes with semi-automatic or automated processes and strict quality control, and not in the small sector. See, 'Prospects Bleak for ITI Ancillaries' and 'Coping with Technological Change', in *The Hindu*, February 25, 1984, pp 8, 12, and *The Hindu*, May 5, 1984, p 12 (editorial).

3 See Annavajhula J C Bose, 'New Products and Changing Economics of Production', *Business Analyst*, A Journal of Shri Ram College of Commerce, University of Delhi, Vol 13, No 1, July-December 1992.

4 Fergus Murray, 'The Decentralisation of Production', *Capital and Class*, No 19, Spring 1983, p 78.

5 Sir Ieuan Maddock, 'Micro-processors, Luddites and Their Economic Consequences', *The World Economy*, Vol 3, No 3, November 1980, p 306.

6 Ibid, p 307.

7 James C Abegglen and Akio Etori, 'Japanese Technology Today', *Scientific American*, Vol 247, No 4, October 1982, p J 16.

8 Vincente Navarro, 'The Labour Process and Health: A Historical Materialist Interpretation', *International Journal of Health Services*, Vol 12, No 1, 1982, p 23.

9 Sir Maddock, op cit, p 307.

10 Harry Braverman, *Labour and Monopoly Capitalism: The Degradation of Work in the Twentieth Century*, MRP, New York, 1974.

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12 G Clews and R Leonard, *Technology and Production*, Industrial Studies Series, Heritage Publishers, New Delhi 1985, pp 165-66.

13 See *The Economist*, 'High Technology—A Survey of Japan and Amenca', August 23, 1986, p 15.

14 That is, machine tools (controlled by a large central computer or by a minicomputer installed in them) 'with multiple tooling enabling all operations on a component to be undertaken at one setting, reducing therefore setting up time and eliminating handling between machines'. See Jane Barker, *New Technology Pack*, Centre for Alternative Industrial and Technological Systems, Polytechnic of North, London, 1981, pp 3-7.

15 See James L Nevins and Daniel E Whitney, 'Computer-controlled Assembly', *Scientific American*, Vol 238, No 2, February 1978.

16 See, *The Japan Economic Journal*, 'A Factory with 100 Workers Makes 1,50,000 Cars a Month', January 31, 1984, p 11. This factory has 1,500 robots manoeuvred by central control room which produces software to operate them. Whenever differences in models arise, the programming for these robots is instantly changed without the need to stop them and teach them the new tasks. And in order to ensure consistency in production technology, similar robots are used by the parts makers.

17 Nevins and Whitney, op cit.

18 See James S Albus and John M Evans, Jr, 'Robot Systems', *Scientific American*, Vol 234, No 2, February 1976; Richard A Kaimann and Barbara A Bechler, 'Robotics—What and Why Now? and 'Robotics—

Present and Future Applications' in *Industrial Management* (The Institute of Industrial Engineers, USA), Vol 25, Nos 2, 3, 1983; *The Hindu*, 'Industrial Robots and Unmanned Factories', Special Feature on Japan, July 19, 1982, p 22, and Abegglen and Etori, op cit, p 18

19 Kuni Sadamoto (ed), *Robots in the Japanese Economy Facts about Robots and Their Significance*, Survey Japan, Tokyo, 1981

20 Li Ji Ogawa, 'Technological Development in Small and Medium-sized Entrepreneurs' in Sadamoto (ed), op cit, *The Hindu*, 'Leap frog in Robotisation' by N N Sachitanand, March 24, 1983, and Nathan H Cook, 'Computer-managed Parts Manufacture', *Scientific American*, Vol 232, No 2, February 1975

21 Nathan Cook, op cit

22 Ibid

23 See OECD, Industry Committee, *Application of New Technologies in Mature Industries Synthesis of the Case Studies* (Note by the Secretariat), IND (88) 6, Paris, April 1988, p 11

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28 *The Economist*, Trying It All Together', Science and Technology, April 5 11, 1986, p 89

29 *The Economist*, 'Beyond Factory Robots', July 5, 1986, p 57

30 See *Business Week*, 'The Speedup in Automation', op cit, *The Economist*, 'The Factory of the Future', Science and Technology, April 5-11, 1986, pp 87-88, J T Black, op cit, It may be noted that maintenance and repair work could be subcontracted out See Juan Rada, *The Impact of Micro-electronics*, ILO, Geneva 1980, p 99

31 See *The Hindu*, 'Flexible Automation in Manufacture', (excerpts from M Eugene Merchant's article in *IEEE Spectrum*, May 1983), September 14, 1983

32 *Fortune International*, October 5, 1981, cited in Robert Ballance and Stuart Sinclair, *Collapse and Survival. Industrial Strategies in a Changing World*, George Allen and Unwin, London 1983, p 150

33 *The Economist* (1986), 'High Technology— A Survey', op cit, p 16

34 *The Economist* (1986), 'Beyond Factory Robots', op cit, p 16

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36 K J Blois (Templeton College, Oxford) The Electronic Reorganisation of Industry Implications for Subcontractors', *European Journal of Marketing* 20, 8, pp 41 42

37 More comprehensively information technology means "(a) worldwide terminal to terminal electronic communication between companies (Given a terminal link to the company data base, staff could work entirely from home), (b) powerful inexpensive microcomputers for routine management tasks such as office filing accounts, pay sales and stock control, (c) OCR (optical character recognition) machines which automatically turn a page of text into digital form ready for storing, editing or transmitting elsewhere (d) facsimile machines which make a digital 'copy' of a document ready for transmission by telephone line or storage and (e) local area networks complete information systems, computers datafiles work stations, telex machines printers word processors, facsimile machines, etc linked internally for speeding transfer of electronic information between devices and individuals and linked by landline or satellite on a terminal to terminal basis to similar networks elsewhere' See Clews and Leonard, op cit p 42

38 Jane Barker op cit, p 11 (emphasis added)

39 Thomas Gunn op cit

40 *The Economist* (1986), High Technology— A Survey', op cit, p 16

41 *The Economist* (1986), 'A Guide to Better Buying, October 18 24, 1986 p 77

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43 See P M Steck 'Micro Computer Productions Scheduling, *Work Study*, Vol 29 No 5, May 1980

44 *The Economist* (1986), 'Beyond Factory Robots', op cit p 57, also see, K J Blois op cit pp 43 44

45 Ibid, p 57

46 Juan Rada op cit, p 45

47 See Annavajhula J C Bose, op cit

48 For example, in the US, 'General Motors can turn out automobiles with different engines and stereo equipment Deere & Co can tailor make tractors; other companies can suit a customer's specialised needs on their assembly lines' See the mind blowing article by Gene Bylinsky, 'A Breakthrough in Automating Assembly Line', *Fortune International*, May 26, 1986, p 60

49 Abegglen and Etori, op cit p 116

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54 For example, political turmoil, corruption and financial problems in the Philippines 'have forced companies like Isuzu, Nissan and General Motors to curtail production, largely because the government restrictions on credit and foreign exchange cut into the flow of imported components' Government policy change as it happened in Indonesia or Thailand, 'can quickly turn a profitable venture into a loss' For instance, a foreign company, which converts into local currency to build a factory finds itself a loser when it wants to sell the factory a few years later after the currency has been devalued, ibid.

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58 See for example Swasti Mitter, Industrial Restructuring and Manufacturing Home working Immigrant Women in the UK Clothing Industry, *Capital and Class*, No 27, Winter 1986

59 Kaplinsky op cit p 82 citing K Grooding, Assemblers Dilemma (Vehicle Components III) *Financial Times*, London, May 26 1983

60 Dieter Ernst op cit pp 213 14

61 Kaplinsky op cit citing Juan Rada, *International Division of Labour and Technology* ILO Geneva 1984

62 Dieter Ernst op cit pp 237 40

63 See Dieter Ernst Automation Employment and Third World Case of Electronics Industry *Economic and Political Weekly*, July 12 1986

64 Ibid, pp 1221 22

65 The convergence of information, communication and control technologies 'has opened up new possibilities for multinational corporations to install captive worldwide information networks, through which headquarters management can link together production facilities located around the world as if they were divisions within one factory' Product design and plant layout, global cash management, logistic co ordination on time operational control of production and complementary support services, particularly marketing and inventory can all be centrally manoeuvred 'At the same time, global information networks open new possibilities for headquarters management to control affiliates and host countries around the world, to put them under pressure if need be, and even to force them into a ruthless mutual competition ibid, p 1222

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What is India's Privatisation Policy?

Prajapati Trivedi

The debate on privatisation in India has been more ideological than pragmatic; more dogmatic than analytical and more bureaucratic than technocratic. This study attempts to piece together various policy pronouncements and publicly available documents on this subject to outline what appears to be the prevalent approach to privatisation.

DOES India have a 'privatisation policy'? If so, what is it? The answers to these questions will depend on who is giving the answers. Typically, majority of the highly placed policy-makers in the government tend to deny the very existence of a privatisation policy. Whereas, critics and most employees of the Indian public sector see manifestations of privatisation policy everywhere. The only thing common between these two groups is that neither has a really clear picture of the overall privatisation policy.

The debate on the privatisation policy merely assumes the existence of such a policy. Most writers take one aspect of this policy and examine it under a magnifying glass. Unfortunately, this kind of scrutiny is not very useful because it ignores the big picture. The linkages between policies are very important in analysing the effectiveness of individual policies. For example, one cannot fully debate the merits of the 'disinvestment' policy, 'Memorandum of Understanding (MOU)' and the policy of 'restructuring sick public sector undertakings (PSUs)' without knowing how they fit the big picture.

The entire blame for this low level of debate on privatisation cannot be put at the doorstep of the critics alone. By tolerating an absence of a written statement on the privatisation policy, the government has not helped the cause of promoting a better understanding of its public enterprise policy, to put it mildly. The fact of the matter is that the seemingly contradictory statements emerging from the highest echelons of policy-makers has made it impossible for most people to believe in the existence of a coherent privatisation policy.

The purpose of this article is to piece together various policy pronouncements and publicly available documents on this subject to outline what appears to be India's approach to the issue of privatisation. This article neither criticises the policy nor tries to defend it. Rather, the goal is to understand the broad contours of India's public enterprise policy.

As mentioned earlier, there is no written policy statement but the government's actions imply the existence of a definite pattern. This implicit privatisation policy in India appears to have three elements. They are like the three legs of a delicately balanced three-legged table and determine the stability and success of the entire policy.

I

Avoiding the 'P' Word

The most confusing aspect of India's privatisation policy is the absence of an agreed name for it. Different people refer to it in different ways. In fact, the entire policy is usually given the name which is appropriate for describing only one aspect of the entire policy. For example, often 'Disinvestment of PSUs' 'Closure of sick PSUs' or 'liberalisation' are used as name tags for the whole policy.

However, if you look at the policy closely, you can see the reasons why the term 'privatisation policy' has never been used in the Indian context. First, the term 'privatisation' encompasses a large arena. Any rolling back of the government's involvement in economy can be called privatisation. Therefore, using the term privatisation can create all kinds of imaginary anxieties. Second, the most common connoation of the word privatisation is selling public assets—like the sale of British Telecom in Britain. This option involving the sale of assets was clearly not at the forefront of the Indian government's implicit privatisation plan. At least, the government did not want to create the impression of emphasising the sale of public assets as a foundation for its policy toward public enterprises. Therefore, it eschewed the use of the term privatisation to describe its efforts in this area.

Finally, without question, privatisation is an ideologically loaded word and in a poor country like ours, an unpalatable word. As my friend Paul Rosentien-Rodan used to remind me constantly: "As long as the majority of the people are poor, their ideology shall prevail." This implies that in a poor country the sale of public assets does not have the same impact as it does in a developed economy like that of Britain. In India, any privatisation is likely to create new owners only among the relatively rich sections of the society. Thus, the vast majority of the poor are likely to view any transfer of ownership of assets with scepticism.

For all these reasons the government seems to have hesitated in using the term privatisation. This has had two consequences. First, it has disarmed the government's critics and prevented the government from wasting time in defending its rhetoric. The Indian government went ahead quietly with disinvestment and other policies which fall under the general category of privatisation but never called this process a privatisation effort. This strategy allowed the government to successfully focus on individual aspects, which are very difficult to implement under the best of circumstances and do not need to be further complicated by a rhetorical match. In retrospect, this strategy appears to have been a wise idea for facilitating the implementation.

Second, lack of agreement on the meaning and scope of the word privatisation had led to conflicting pronouncements by some top policy-makers on this subject. On many occasions, some of them have said that India is ready for privatisation or is going ahead with privatisation. Why did they use the 'P' word when others in the government were carefully avoiding it? One can think of two reasons. First, while other words could indeed be substituted for the term 'privatisation' as far as the discussion in India was concerned, the international donors and investors wanted to hear the 'P' word. In the prevailing international milieu, to talk of the 'reform' of the public sector is considered as a reaffirmation of the *status quo*. Therefore, those policy-makers who are under pressure to placate the international community and attract additional investment tend to use the 'P' word mainly more as a marketing tool rather than a serious statement of policy. In addition, since there is no explicit agreement on not using the 'P' word, many policy-makers who are on the periphery of power interpreted the actions of the government as a tacit approval of privatisation as a public policy and saw no reason not to call spade a spade.

II

Privatisation Matrix

It is one of the axioms of public policy that the more open and transparent you make it, the less interesting it gets. In

December 1991, the government of India placed a document on the table of the parliament outlining the government's thinking in the area of public enterprise policy. This document was entitled *Monograph on the Performance Status of Central Public Sector Enterprises* (referred to as Monograph hereafter) and was prepared by the department of public enterprises, government of India. It is a unique document of great historical importance. No body can fully participate in the debate on the privatisation policy in India without understanding and appreciating the thinking behind this document. Unfortunately, however, this document has thus far not become part of the privatisation debate in our country. This section is, perhaps, the first attempt to unravel the logic of this crucial document.

To understand the policy behind this document, we need to understand the implicit conceptual framework. The root cause for the interest in the privatisation option is the perceived inefficiency of public enterprises. For better or worse, the efficiency of public enterprises is usually measured with the help of financial profitability. Some people have condemned the public sector as inefficient because its profitability is lower compared to that of the private sector. This indictment often provides fuel for privatisation.

However, such broad sweeping generalisations about public enterprises usually leads to a great deal of controversy and debate. The public sector protagonists argue that these figures are too aggregative and for correct interpretation these figures ought to exclude those sick enterprises which were acquired from the private sector. Their adversaries also argue that these figures are too aggregative but they suggest that these figures ought to exclude the profitable oil sector. The result of these arguments has been a debating match which has stood drawn out for ever. Both sides have claimed victory and seem to have left the lay person totally confused. Unfortunately, this confusion has also stymied efforts to effectively deal with the losses in the public sector. Most public policy prescriptions seem to be influenced by one group or the other. Those who believe that financial returns from public sector are poor tend to go all out for privatisation. Others find redeeming value in the public sector in spite of the poor financial returns and defend its continued existence as such. In short, the debate on privatisation has been more ideological than pragmatic; more dogmatic than analytical and more bureaucratic than technocratic.

To move away from the ideological approach one has to begin by a closer examination of the nature of losses in the public sector. If one were to suggest that the public sector in India consists of a wide variety of public enterprises, it would be considered a self-evident proposition and hence, a redundant statement. Yet, most people seem to ignore the fact that the various losses associated with the public enterprises are also quite different from each other. If the objective of the public policy is to find a solution to these varied losses, then it is imperative that we have a clear understanding of the various losses. Otherwise, we may prescribe a single medicine to cure many different types of ailments and thus may not succeed in our ultimate goal of greater resource mobilisation from the public sector. The main objective of the Monograph is to provide a disaggregative picture of the Indian public sector. To do this it develops a very useful taxonomy of public enterprise losses. Unfortunately, the Monograph fails to elaborate the taxonomy and this may explain why it has not played an important role in the privatisation debate in our country. In the rest of this section we will make an attempt to understand the rationale behind the taxonomy presented in this Monograph. Our discussion will be divided into two parts. First we examine the theoretical framework that seems to have formed the backbone for this policy and then look at its empirical counterpart.

The Monograph starts by presenting the broad profile of the Indian public sector as reproduced in Table 1. It then finds the classification of public enterprises between profit-making and loss-making categories too broad for a meaningful policy discussion. Therefore, it goes on to suggest that the losses in the public sector may be classified along four dimensions. In what follows we first examine each of these dimensions separately and then put them together to shed light on the nature of the real problem and options outlined in the Monograph.

To start with, one has to distinguish between the losses that are being made by public enterprises in competitive industries versus losses of those in the non-competitive (monopolistic) industries. The distinction is straightforward and requires no further elaboration.

Transparency

At the broadest possible level, public enterprise losses can also be divided into two categories—explicit losses and implicit losses.

(a) Explicit losses: They show up as such in the financial statements of public enterprises and imply that the public enterprise is draining the resources at the disposal of the national exchequer.

(b) Implicit losses: These losses do not show up in the financial statements of an enterprise. They represent the difference between the 'potential' profits versus the 'actual' profits. In other words, a profitable public enterprise may be incurring implicit losses because it is not delivering profits at its potential level. Just because an enterprise is making profits, the questions regarding its true potential are often ignored. However, from the point of view of the national exchequer, a rupee lost as an explicit loss is the same as a rupee lost as an implicit loss.

The total explicit loss incurred by the public sector for the year 1988-89 was Rs 1906.51 crore. This should be compared with the possibility of having additional resources worth of Rs 4218.42 crore, even if a modest improvement of 5 per cent in the efficiency in the public enterprise were to take place. The latter figure represents the implicit loss mentioned above. Clearly, no public policy can afford to ignore this category of implicit losses and focus only on the more easily understood explicit losses.

Legitimacy

The other dimension which can be used for classifying losses concerns the 'degree of legitimacy' of losses. The public sector losses in this respect can be classified in-

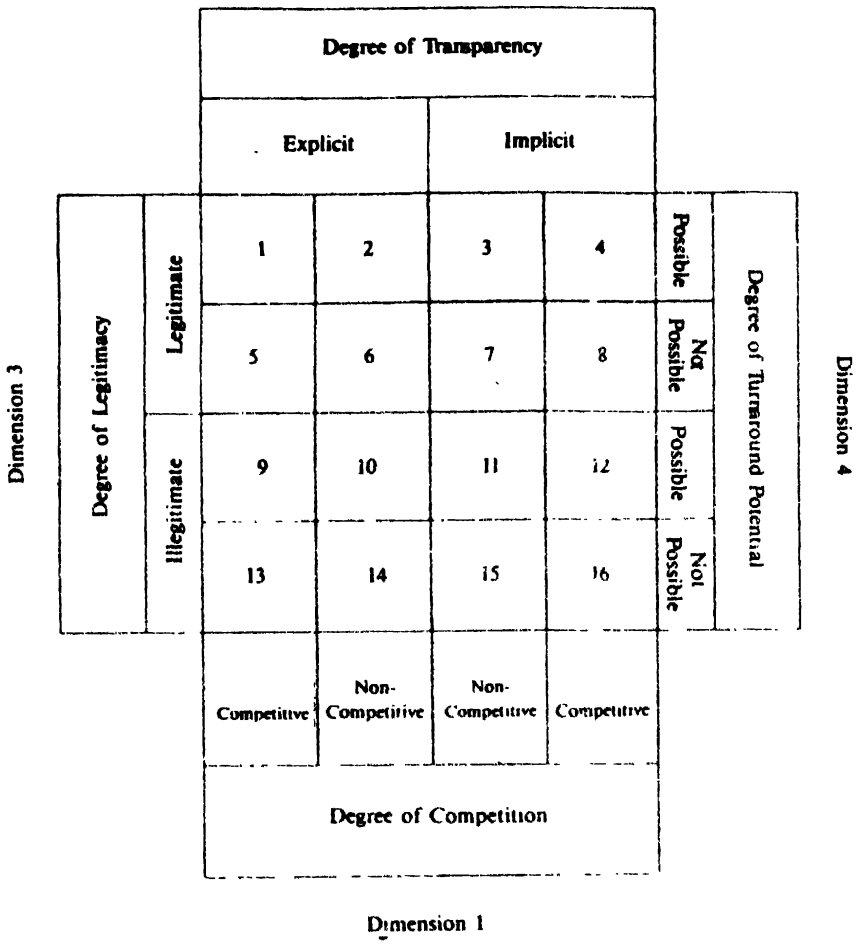
TABLE 1: FINANCIAL PERFORMANCE OF CENTRAL PUBLIC ENTERPRISES

Group	Number of Enterprises	Capital Employed (Rs Crore)	Net Profit/ Loss during 1989-90 (Rs Crore)	Ratio of Net\Profit to Capital Employed (Per Cent)	Number of Employees (000s)
Profit making	131	72130 (85.5)	5740.8	8.0	1431.0 (64.4)
Loss-making	98	12210.9 (14.5)	-1959.1	-16.1	790.5 (35.6)
Grand Total	229	84341.0 (100)	3781.7	4.5	2221.5 (100.0)

Note : The figures in brackets represent percentages to the total.

Source: *Monograph on the Performance Status of Central Public Sector Enterprises*, Department of Public Enterprises, Government of India, December 1991.

FIGURE 1: THE PRIVATISATION MATRIX



to two categories—legitimate losses and illegitimate losses.

(a) Legitimate losses: These can be directly attributed to social (non-commercial) objectives that are being served by a public enterprise. For example, some portion of the losses of the Delhi Transport Corporation (DTC) arise due to a lower price being charged for the tickets and, therefore, they would fall under this category.

(b) Illegitimate losses: These losses arise purely due to inefficiencies of the public enterprise. Hence, their existence is not justified. More often than not, people club these illegitimate losses with the legitimate ones to justify their poo performance.

Turnaround Potential

(a) Reversible losses (i e, where turnaround is possible—TP): These losses are said to exist where it is possible to eliminate them by either improving efficiency or by choosing another instrument of public policy other than public enterprise to deal with the root cause of the losses.

(b) Irreversible losses (i e, where turnaround is impossible—TI): These are cases where it is difficult to change the present status and hence, these losses are likely to continue as long as the enterprise remains in the public sector.

The losses that exist in the real world are a combination of these four major dimensions. If we put all these dimensions together, as we have done in Figure 1, we get 16 cells. All public enterprises, not only in India but anywhere in the world, can be put into one of these 16 cells, where each cell represents a very different category of public enterprise. It is clear that to improve the performance of enterprises in different cells different kinds of policy prescriptions would be required.

Data

The strength of the Monograph lies in the fact that it has evaluated all 244 central public enterprises on the four dimensions discussed in the previous section. Those of us who have done empirical research, as opposed to merely doing theoretical work, appreciate the challenges of finding empirical counterparts to the theoretical constructs. The Monograph, however, manages to overcome these challenges in a pragmatic way.

Tables 2 and 3 reproduce the data presented in the Monograph with minor modifications. Together, these tables provide the number of public enterprises that belong to each cell of the privatisation matrix in Figure 1. However, two things should be noted about the way the Monograph defines the four dimensions for empirical analysis. First, the implicit loss-makers are defined as those public enterprises which are making profits but the Ratio of Net Profit to Capital Employed is below 8 per cent. Clearly, this is neither the only way to define implicit loss-makers nor the best way to do so. Yet it is a prac-

TABLE 3: TAXONOMY OF PROFIT-MAKING PUBLIC ENTERPRISES

Ratio of Net Profit to Capital Employed	Net Profit 1989-90 (Rs Crore)	No of Public Enterprises
Above 20 per cent	1316	16
Between 12 per cent and 20 per cent	2021	16
Between 8 per cent and 12 per cent	444	15
Between 5 per cent and 8 per cent	1256	24
Below 5 per cent	704	60

Source: Monograph on the Performance Status of Central Public Sector Enterprises, Department of Public Enterprises, Government of India, December 1991.

TABLE 2: TAXONOMY OF ALL CENTRAL PUBLIC ENTERPRISES

Cells in Privatisation Matrix	Market Structure	Profit/ Loss	Social Obligations and Externalities	Number of Public Enterprises	
1 Cells 3 and 7	Monopoly	Profit	High	50	
2 Cells 11 and 15	Monopoly	Profit	Low	5	
3 Cells 4 and 8	Competitive	Profit	High	15	131
4 Cells 12 and 16	Competitive	Profit	Low	61	
5 Cells 2 and 6	Monopoly	Loss	High	13	
6 Cells 10 and 14	Monopoly	Loss	Low	2	
7 Cells 1 and 5	Competitive	Loss	High	6	98
6 Cells 9 and 13	Competitive	Loss	Low	77	

Source: *Monograph on the Performance Status of Central Public Sector Enterprises*, Department of Public Enterprises, Government of India, December 1991.

tical and feasible definition which one can accept till it is improved upon. In addition, the Monograph uses the term 'social obligations and externalities' as a proxy for 'legitimate causes for losses'. This is a better term for depicting the third dimension of the privatisation matrix which distinguishes between the legitimate versus illegitimate reasons for losses. Finally, it is worth noting that the Monograph does not deal explicitly with the fourth dimension of the privatisation matrix. It lists all the 77 public enterprises that belong to cell numbers 9 and 13, that is those enterprises that are operating in the competitive sector, are making explicit losses and whose losses are illegitimate (low social obligations). In addition to listing them in the Monograph, a brief SWOT (strength, weakness, opportunities and threats) analysis is done for each of the 77 enterprises. Whether they can be turned around or not is left to the decision of the Bureau of Industrial and Financial Restructuring (BIFR) and the parliament For those enterprises in these cells that cannot be turned around, privatisation, closure or sale of assets may be the only options but they certainly cannot be a panacea for all the problems of public enterprises.

This is precisely what John Kenneth Galbraith had in mind when he made the following comment in a recent article.

> There is no overriding rule as to privatisation by which anyone or any country should be guided. There is no substitute for careful case-by-case thought, painful as that may be. Far easier is the oratory laying down broad, if sadly unplausible, principles. Some have spoken of a broad, transforming move to private enterprise. I am hopeful and indeed optimistic enough to believe that it instead will be a thoughtful adjustment to a particular circumstance.

While a full-fledged discussion of each of the 16 categories in the privatisation matrix is beyond the scope of this paper and deserves a separate treatment, some comments on the case-by-case approach may be illuminating for policy-makers and sobering for ideologues on both sides of the privatisation debates. (Table 4 gives examples of public enterprises belonging to the different cells of the privatisation matrix.)

If one had to arrange each of the 16 cells in Figure 1 in an ascending order of difficulty involved in the privatisation of enterprises, one would find cell number 13 at the top of this list. Even the most diehard supporters of the public enterprise concept would agree that enterprises belonging to cell number 13 ought to be the first ones to be put on the chopping block. The enterprises in this cell are those that are making explicit losses, cannot be turned around in the public sector, have no social objectives to justify some of their losses and they are in a competitive industry. Perhaps, the Cycle Corporation of India and National Textile Corporation might fall under this category.

On the other hand, cell number 4 represents a much tougher case Enterprises belonging to this cell are monopolistic, making explicit profits but implicit losses, some of these losses are for legitimate social objectives but the performance of these enterprises can be turned around while they continue to remain in the public secotr. Oil and Natural Gas Commission (ONGC) may be a good example of this category. It has hardly any competition, it makes explicit profits but one cannot argue that ONGC has exhausted all avenues for cost economies. Certainly, many of its objectives are non-commercial in nature. For examples, it runs a large number of research centres and borrows funds on behalf of the government in the international market, to name just two of them. Finally, there is no reason why ONGC cannot improve its performance while remaining in the public sector. Given these facts, it is not clear that an enterprise like ONGC ought to be privatised in a hurry.

Another generalisation that emerges out of this matrix relates to the fact that, except, perhaps, for cell 13, a good performance evaluation exercise will have to be a necessary precursor to the design of appropriate policy response for enterprises in all other cells. It is only after such an exercise, that real costs and benefits of various alternatives will become transparent.

Further, to find out whether privatisation has yielded the expected benefits, one must have an evaluation methodology in place. Only in cases where the sole objective of privatisation is increased financial profits without concern for any other trade offs, we need not worry about any other evaluation methodology but the conventional accounting profits. However, any reasonable observer of privatisation trends would agree that very few countries have gone for privatisation that would only promote unbridled profiteering.

Any privatisation effort without a proper *ex-ante* evaluation methodology may be termed a 'blind' privatisation. Because, after the privatisation the government will have no clue regarding the real impact of privatisation. It is little wonder that not a single rigorous study of the impact of a major privatisation effort exists. Most of the evidence in regard to the impact of privatisation is anecdotal.

TABLE 4: TAXONOMY OF CENTRAL PUBLIC ENTERPRISES

Cells in Privatisation Matrix	Market Structure	Profit/ Loss	Social Obligations and Externalities	Representative Sample of Enterprises
1 Cells 3 and 7	Monopoly	Profit	High	Coal India; Indian Oil Corporation; National Airports Authority; Videsh Sanchar Nigam
2 Cells 11 and 15	Monopoly	Profit	Low	Container Corporation of India, Indian Telephone Industries; Mica Trading Corporation of India.
3 Cells 4 and 8	Competitive	Profit	High	Bharat Dynamics; Hindustan Latex; Bharat Electronics; Shipping Corporation of India.
4 Cells 12 and 16	Competitive	Profit	Low	Air India; Balmer Lawrie and Co; CMC, Hindustan Teleprinters; HMT.
5 Cells 2 and 6	Monopoly	Loss	High	Delhi Transport Corporation; Food Corporation of India; Cochin Shipyard.
6 Cells 10 and 14	Monopoly	Loss	Low	Bharat Gold Mines; Vayudoot.
7 Cells 1 and 5	Competitive	Loss	High	Artificial Limbs Manufacturing Corp; National Seeds Corp; Central Inland Water Transport Corporation.
8 Cells 9 and 13	Competitive	Loss	Low	Cycle Corporation of India; National Textile Corporation (Gujarat); Mining and Allied Machinery Corporation

Source: Monograph on the Performance Status of Central Public Sector Enterprises, Department of Public Enterprises, Government of India, December 1991.

Even in terms of sequencing, enterprises in cell number 13 ought to be disposed of first. In all probability, they are likely to be smaller enterprises which will be easier to handle technically as well as politically.

Nigel Adam, former editor of London-based monthly ***Business***, recently summarised the general perception when he said:

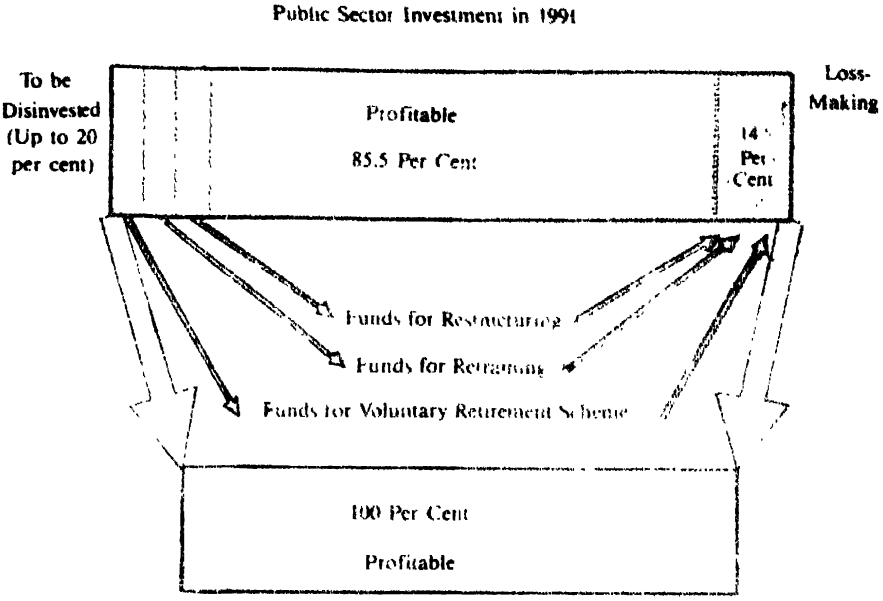
> The jury is still out on the success of the UK privatisation experiment... The big utilities like British Gas and British Telecom have generated respectable profits since becoming privatised but this is largely because they still hold monopolies in their markets. Telecom has improved its services, but the industry regulator appointed by the government to keep an eye on standards, believes that services and prices could be even more favourable to the consumer.

It is to eliminate such confusion after the fact that one needs to have a performance evaluation system in place before privatisation. The current policy of memorandum of understanding (MOU)' in India is precisely such a system. It has lead to an intensive case-by-case discussion on the performance determinants for those enterprise covered by such a system. It is only through such a rigorous exercise that one will be able to properly categorise enterprises into the 16 cells of the privatisation matrix. It is in this sense that a system like MOU is both a necessary pre-condition as well as a complementary policy for a successful and pragmatic privatisation effort in any country.

Finally it is only sound common sense to spruce up one's wares before hawking them off. Do not we clean up and paint our house before selling? Do not we wash our car before showing it to prospective buyers? Then, why not spruce up the performance of public enterprises before privatising them. This way, we will get a much better price. The only question is how to improve the performance of public enterprises before privatising them. To get the answer, let me again quote at length from the most recent writings of John Kenneth Galbraith, the distinguished economist who predicted the convergence of capitalism and socialism way before it became fashionable to do so:

> The disaster of public ownership in much of Latin America, as also in the case of older industry in Europe and elsewhere, is that performance is irrelevant or largely so... there is indication that if a corporation is large enough, it does not matter who is the ultimate owner of its shares. It can be owned by the government or, with little difference, by scattered and anonymous investors. What matter is that the management of enterprise have full right of decision and be fully accountable for performance...

FIGURE 2: LOGIC OF DISINVESTING PUBLIC ENTERPRISE SHARES



It is for this reason that the new Industrial Policy Resolution of 1991 declares that all public enterprises in India except for the ones that are being referred to BIFR will sign a MOU with the government. The objective of the MOU policy is to give managers complete autonomy for day-to-day operations but hold them accountable for results at the end of the year for performance. This point is also stressed by the Monograph which implies that the MOU policy and policy of 'reorganising and restructuring' of 77 public enterprises are complementary strategies.

III

Disinvestment Policy

In the previous two sections we have explored the rationale for the policy towards the 77 chronically sick public enterprises and the MOU policy. In this section we will try to explore the possible rationale for the 'disinvestment' policy and its interrelationship with the other two policies.

Contrary to popular perception, the majority of investment in the public sector yields a positive rate of return. In fact, 85.5 per cent of the Rs 99,315 crore invested in the central government owned public enterprises yields a positive rate of return and only 14.5 per cent of the investment is loss making. Most of the 77 enterprises identified for reference to BIFR account for this 14.5 per cent loss-making investment.

The overall objective of the disinvestment policy is to raise resources from within the public sector for meeting the following three categories of costs associated with transforming the Indian public sector. First, a part of these resources will be used to pay for the costs associated with the closure of enterprises declared as terminally sick by BIFR. These costs would primarily include expenses relating to voluntary retirement schemes.

Second, another part of the revenues would be used for restructuring those enterprises which are on the verge of becoming chronically sick but are as yet not beyond redemption. These enterprises will be given extra infusion of capital after insuring that a management accountability system based on MOUs is in place. Without the MOU system being in place, there is risk that these enterprises may not make the most effective use of the additional resources given to them.

Finally, a big part of the money raised from disinvestment will be used for retraining of the workers displaced or affected as a result of the closure and internal restructuring involving downsizing.

While it is fair to say that the major goal of disinvesting up to 20 per cent of PSU shares is resource mobilisation, there is bound to be some positive impact on accountability of public enterprises as well. Once the shares of the public enterprises are quoted in the stock market, these enterprises will be under increased scrutiny from a commercial perspective. In addition, there is also the possibility of using prices of the shares as one of the indicators in the MOUs for these enterprises. Ultimately, the hope of the top policy-makers appears to be that in about

five to seven years, the entire portfolio of the central government public enterprises would consist of healthy, viable enterprises which would be symbol of pride and achievement and not a symbol of ridicule. Figure 2 shows how the current portfolio containing 85.5 per cent profitable and 14.5 per cent unprofitable enterprises is sought to be transformed into a healthy portfolio of financially sound public enterprises by using funds generated from within the public sector—via disinvestment or surplus generation on current operations.

Concluding Comments

Our attempt to discover India's policy towards privatisation leads us to the following conclusions:

(1) In India the emphasis is on improving the performance of public enterprises. Privatisation in the conventional sense of the word is only one of the many options and the preference continues to be to treat it as a policy of last resort. Which is a big progress compared to a few years back when the 'P' word was unthinkable not only in public but also in private.

(2) If the performance of the public enterprises under the central government enterprises can be improved by installing a management accountability system through MOUs, then those enterprises will continue to exist within the public sector.

(3) For those sick enterprises which are in the competitive sector, with no social objective and very little hope of being turned around, closure or sale of assets will be considered as an option of the last resort.

(4) For those enterprises which are on the margin, i e, they are drifting toward sickness but are not beyond redemption, efforts will be made to nurse them back to health by restructuring them.

(5) There will be a massive requirement of resources to accomplish these tasks and these resources will be raised from within the public sector by disinvesting up to 20 per cent of shares in the healthy public enterprises. Disinvestment will not only support the pruning and restructuring of the public sector but will contribute toward increased accountability of existing public enterprises.

Note

[The author is grateful to Alfred Schipke for helpful comments on an earlier draft. Conclusions are based on information available till June 1992 and the author alone is responsible for any errors of omission or commission.]

* For further details on this policy, see: Trivedi, Prajapati, *A Critique of Public Enterprise Policy*, International Management Publishers, New Delhi, 1992

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Test-Marketing of New Products in Rural Areas

Rajendra K Aneja

Rural areas exhibit sharper and varied regional preferences with distinct predilections, habit patterns and behavioural characteristics A company has to assimilate these regional and local variations in the marketing mix of a new product

This paper explores the possibilities of gauging the potential of rural markets through conducting test markets

RURAL markets are now contributing 30 50 per cent of the sales of a number of consumer products like soaps, detergents, washing powders, safety razor blades, batteries, torches, etc. Sales of other products like toothpastes, hair oils, talcum powders, milkfoods and beverages are also increasing Rural markets are expected to grow at a faster rate than urban markets, in a number of product areas like toiletries, cosmetics, household convenience products, etc.

Marketers have hitherto tested products in the cities only, since the bulk of the sales were generated in the urban areas Most companies do not conduct test markets in the villages Their approach can best be described as 'sink or swim If the product sells well in the rural areas, the company continues to distribute it If the product does not pick up volumes in the rural areas, it is withdrawn and forgotten Very few companies try to get formal feedback about the success or failure of products in the rural areas With the rural markets emerging as a major segment marketers will have to test market their products in the villages also The product and the marketing plan have to be tested out in a small number of villages, selected for their allround representation of the reactions of rural consumers The objective of marketers would be to set up small prototypal 'laboratories' of clusters of villages These pilot studies would provide some comprehension of the rationale for a rural buyer behaving in certain ways The results of the test markets would also provide a quantitative basis for extrapolating the broadscale market before launching a brand in all the rural areas

Advantages of Rural Test Markets

Test marketing of products in the villages has a number of advantages It helps the company to fine tune the product, the marketing inputs and the communications programme, so as to ensure high trial rates and quick acceptance among rural consumers

Corroborate Marketing Package Test marketing helps the company to gauge the reactions of the rural consumers, to the entire marketing package, i e, product features and packaging, quality and formulation of the product, pricing of different packs, advertising message, credibility of the product promise or claim, reach of different advertising media in the villages, etc. Based on the feedback from rural consumers about the product mix, a company is in a position to refashion certain features of the marketing mix before launching the product in all the rural markets

Estimate Levels of Sales Test marketing of products in the rural areas helps a company to determine the level of sales volumes it can achieve in the villages given certain marketing inputs and investments. Different clusters of villages can be selected to test varying levels of promotional inputs The company can then ascertain the optimum marketing mix and promotion package, before launching a new product nationally Moreover, the company can actually check how many consumers 'really buy' the product, as against 'intending to buy it'

Understand Regional Variations All consumers, irrespective of the fact whether they live in the urban or the rural areas, essentially want a quality product at a reasonable price. However the concept of 'quality' and 'reasonable price' varies from person to person, and from region to region Test marketing of products in the villages also helps to comprehend possible regional variations in consumer reactions This can help a company to harmonise its marketing inputs to different regions, depending on specific local characteristics.

It needs to be underscored that there are noteworthy dissimilarities in the use and preferences of consumer products even in the urban areas In the rural areas, regional preferences are sharper and varied There are very distinct predilections, habit patterns and behavioural characteristics in the rural areas, even within a political state In fact, there are cogent deflections between each district and even between various clusters of villages These regional dissimilarities have a vital impact on the types of consumer products used in the villages A company has to assimilate these regional and local variations in the marketing mix of the new product For instance, company 'X' is launching a new brand of cooking oil in the villages As a part of the promotional plan, it proposes to distribute free snacks at the village tea shops If the promotion is to be run in a village in Uttar Pradesh the company will have to fry and distribute 'samosas', since they are popular in the state However if the promotion is to be conducted in Madhya Pradesh the company will have to fry and distribute 'kachoris' If the company tries to distribute the same snack in both the states, the promotion will not be successful Regional preferences in taste, smell, colour, etc, have to be infused into the marketing plan

Resilience of Distribution Apparatus The wholesale trade plays a crucial role in carrying products from the cities and smaller towns to the feeder markets Rural wholesalers visit these feeder markets every fortnight to make their purchases It is imperative for a new product to get quick acceptance and mobility in the wholesale channels, if it is to be widely distributed in the rural markets Parles Gluco biscuits are stocked and distributed widely by rural wholesalers This ensures the widespread geographical distribution of Parle's biscuits in the villages A test market also helps the company to determine the reactions of the wholesalers to the new product If the wholesale channel accepts the product, the compay will have to introduce promotions to motivate the wholesalers to buy more stocks However if the product does not seem to be a wholesale brand, the company will have to consider evolving its distribution apparatus to deliver the product directly to the rural retailer or consumer

Evaluate Packaging Problems Test-marketing a product in the villages provides worthy feedback about the robustness of the product to withstand transhipment and transportation by different modes, i e, by railway wagons lorries vans etc The distribution chain from the factory to a rural consumer comprises of 4 5 links Stocks move through a chain consisting of a company depot, an agent of the company, an urban wholesaler, a rural wholesaler and finally a rural retailer The container and outer packaging of the product should withstand rough handling and transhipment Goods are generally loaded and unloaded 3-4 times from the factory onwards till they reach the rural consumer If a company is selling products like a tetra pack drink, a test market will help to determine whether the pack can stand repeated handling

Managerial Issues

The conceptual and operational issues involved in a rural test market are different than the ones encountered in urban markets A series of subjects like the number and location of villages in which the test market is to be conducted timing and duration of the test market obtaining accurate feedback, etc, have to be thought through rigorously

Planning the Test Market A rural test-market poses major problems in terms of logistics synchronisation of all activities and marketing inputs The details of the test-market should be itemised in an exhaustive written brief The brief should also incorporate the performance parameters for evaluating the success of the new product in

the test-market villages. The advantage of preparing a copious written brief on the test-market is that all the sequences are thought through and planned for in advance.

Conducting the Test-Market: The company has to decide whether it will conduct the test-market on its own, or it will commission a third-party like a market research agency, to conduct the test-market. Most research agencies in India do not undertake the entire test-market assignment, even in urban areas. Companies therefore, usually conduct test-markets on their own.

Research agencies can provide professional help in the evaluation and interpretation of the test-market. There is a clear business opportunity for market research agencies, to specialise in conducting rural test-markets.

Selection of Villages: The most critical decision in conducting the test-market in the rural areas is the selection of villages. This is an arduous task, due to the wide variations that exist between different regions and among the villages. Each village can be stratified on the basis of a variety of parameters like income, quantum of land-holding, crops grown (cash or coarse), education-level, caste, etc. The marketer has to find a cluster of villages, which are representative of the 5,78,000 villages in the country. The selection of the villages will depend on two vital variables:

(a) The type of product, i e, is it a popular product or a premium product, aimed at the upper income segment of rural consumers.

(b) The distribution pattern of the product, i e, is the product to be marketed in certain geographical region or nationally. The villages selected for the test-market, must be in the geographical region in which the product is to be eventually launched. If a product is to be launched in north India only, then the test-market should be in villages in the northern states like UP, Punjab or Rajasthan.

No single village or cluster of villages can be universally representative of all the villages in the country irrespective of the criteria used to select the villages. However, it is possible to segregate villages which are broadly representative of the region and the country. A typical village would have to meet some broad criteria:

(a) The village should have a relatively good cross-section of various castes, like the 'brahmins', 'kshatriyas', 'vaishyas' and 'shudras'. (This criteria may seem retrograde, but castes do exist and govern life in the villages, and the marketer cannot ignore this phenomenon.)

(b) About 10 per cent of the population should be affluent farmers, about 30 per cent small landholders, about 50 per cent agricultural and unskilled labour and the balance 10 per cent petty shopkeepers, retailers and village artisans.

(c) There should be at least 5-10 retail shops in the village, of which half would be grocers.

(d) The level of literacy in the village should range between 50-60 per cent among men and 30-39 per cent among women.

(e) About 5 per cent of the households possess TV sets, and about 60-70 per cent own radios or transistors.

The type and characteristics of the product to be tested, will have a determining influence in the selection of the villages. For instance, if a new brand of coconut cooking oil is to be test-marketed, it should be conducted in Kerala, where coconut oil is used as a cooking medium. If a new brand of pressure cooker is to be test-marketed, there would be no point in selecting markets with a population of less than 25,000. Similarly, if a new electric iron is to be test-marketed, at least 70-80 per cent of the households in the village must have electricity.

Duration of the Test-Market: The test-market for a product could last from two months to about 18 months. The duration of the test-market would depend on the average repurchase cycle, the competitive reactions and the costs of administering the test-market. Products which have a short repurchase cycle can have test-markets of a shorter duration. For instance, a match box is normally purchased after every 8-10 days. A test-market for a match box could therefore last for about 2-3 months. Razor blades are normally bought after a gap of about 10-15 days. A test-market for razor blades could run for about 3-4 months. Batteries for torches and transistors, are normally replaced after 6-8 weeks. A test-market for batteries would have to be run for about 8-10 months.

Competition reaction also determines the length of the test-market in the rural areas. If a test-market is run for six to nine months, the competitors are bound to get wind of it. They can start monitoring the results of the test-market, and develop their own counter-strategy products, to be launched in the rural areas. The danger of competitors monitoring the results of a test-market in the rural areas, however, is rather limited. Most companies do not even undertake basic test-markets of their products in the rural areas. They would not, thus just be in a position to initiate quick counter measures.

Test-markets are extremely expensive depending on the type and quantum of marketing and promotional inputs. A test-market for a new brand of cattle-feed would necessitate extensive trials on individual buffaloes, farmers' education meetings, intensive investments in manpower to monitor the trials, conduct the meetings and collate the results. It would also require expenditure on wall-paintings, and perhaps even press or television advertising. A company cannot sustain such expenditure indefinitely. Its ability to invest in a test-market is also tempered by the expected level of sales volume and profit margins, after the full-scale launch.

There is an opportunity cost in delaying the launch of a product till the test-market is complete. In addition, the company has to incur the additional expenditure of supervising the operation and monitoring the results of the test-market.

Timing of the Test-Market: The timing of the test-market in the rural markets has a significant influence on the results. It is, therefore, important to select the timing of the test-market very judiciously. A test-market for premium and expensive product should always be conducted in the post-rabi or kharif harvest period, when the farmer has money to spend. Therefore, the ideal months for a test-market of a premium product are March-April or October-November. A daily necessity type of product, e g, an analgesic can be test-marketed at any time of the year. Test-markets must be avoided during the monsoon months of June to August. During this period, it is difficult to monitor the results of the test-market due to inclemental weather conditions. Due to the rains, some of the villages get insulated from the main highways. Supplies of stocks cannot be sustained on a continuous basis. A test-market with intermittent supplies of the product will not yield representative results which can be exploited.

Competitor Reaction: It is vital to monitor competitor activities minutely during a test-market due to three reasons:

(a) Competitors can vitiate the test-market of a new brand by retailing with a series of trade or consumer promotions on their own products. These promotions may prevent the consumer from buying the new product. Thus, they can have an adverse effect on the trial rate of the new brand.

(b) Competitors can 'jam' the test-market by initiating a negative word-of-mouth campaign against the new product, which could depress the stocking of the product by the retailer or the purchase by the consumer.

(c) Finally, an agile competitor could introduce one or two of new brands in these villages at the time of the test-market. A plethora of new brands in the market at the same time could lead to a total restructuring of the market. A well researched pilot study under these 'artificial' conditions would yield no useful lessons.

Media Options: In conducting a test-market the company must take cognisance of the fact that the media options available to advertise the product in the rural areas are very meagre. An ORG-MRS study reveals that readership/viewership of various communication media is as follows:

Medium	Per Cent of Rural Adult Population	Numbers 1981 Census (Million)
Press	9	32
Radio	32	113
TV	31	108
Cinema	36	125
(Total Adults: 352 million)		

It is, therefore, almost impossible to use the traditional media like the press, radio, TV

or cinema if the test-market is confined to a limited cluster of villages. Selective use of the press, radio and cinema is possible, but, only if the test-market is in a wider geographical region, like an entire political state.

Briefing of Trade: The recommendations of the rural retailer have a significant bearing on the initial trial rate and usage of a brand. It is therefore important to brief the retailer minutely about the product being test-marketed. The recommendations of the rural retailer make a significant difference since the traditional media like press, radio, TV, etc, have a meagre role in generating awareness in a limited cluster of villages.

Flow of Goods: As test-market should be conducted under stable conditions to the extent possible. In the rural areas, it is important to ensure that stocks do not move inordinately between the villages, or between the towns and the villages and vice versa. Suppose, a test-market is being organised in a cluster of villages like Bareja (population 5,000), Randneja (population 2,500) and Pethapur (population 5,000) around Ahmedabad. It is necessary to ensure that stocks do not move freely from the villages to Ahmedabad during the test-market. In case stocks travel to other villages through the wholesale channels or to Ahmedabad, the results will be distorted. The actual sales in the concerned villages will be lower than those reported, because a part of the stocks have been exported. If the product is being test-marketed in Sholapur the stocks could travel to the villages also. When a product is being test-marketed in the rural areas, it should not be tested in the larger towns in the proximity of these villages to prevent the flow of additional stocks through the wholesale channels into the test-villages. Such interflow of goods distorts the test-market results. The consumption of the product will appear to be higher or lower than the actual consumption in the concerned villages. Therefore, if a new product is being test-marketed in some villages in Gujarat, the pilot-study should be undertaken in villages like Ravapur (population: 3,200), Katariya Juna (population: 2,200), Maliya (population: 9,100), Shihori (population: 8,200), Santhalpur (population: 3,200) and Paldi (population: 2,350), which are about 300 to 400 kilometres away from a large town like Ahmedabad. This will help to minimise flow of stocks from Ahmedabad to these villages and vice versa.

Feed-back from Rural Test-Markets: The test-market has to be monitored continuously by collecting data and processing it to determine whether the marketing-mix is meeting predetermined performance standards. The type of data to be collected by the company is determined by the objectives of the test-market, as incorporated in the written brief. For instance, the company may want feedback about the features of the product, the packaging or the pricing. It may also want to get feedback about the communication message and package. The company would also want to check whether the new product was available regularly and the width of distribution among rural retailers was satisfactory. Feedback on all these aspects can be obtained by the company from its own records, rural retailers and consumers.

Product Sales Data: The quantum of stocks despatched to the test-market villages, on a daily, weekly or monthly basis, can be ascertained by the company from its own despatch points, e g, distributor or agent. However, data regarding stocks sent should be seen as 'despatches' and not as 'sales'. Daily and weekly levels of despatches do not necessarily reflect sales, due to variables like order execution lead time, transit time delays, change in stocking levels by trade, etc. The despatches from the company's stock-point, thus, merely give information about the sales of the company. They are not an indicator of consumer offtake.

Retailer Audits: To get precise information about consumer offtake, the company has to conduct a retailer audit. It will have to monitor the sales made to each such retailer, and also collect information about the sales to consumers on a weekly basis. By checking the quantity of stocks with the retailer, at each weekly visit, the company can establish the weekly offtake of the new product among the consumers. Data regarding the number of new buyers and repeat buyers can also be collected from the retailers, provided they are briefed in advance. Retailers also provide valuable qualitative feedback about the reactions of the consumers to the product. A number of modifications to the product are frequently suggested by retailers. It is beneficial to heed their views.

Rural Consumer Panels: To garner precise data about consumer characteristics, the trial and usage rate of the brand being test-marketed, a company can set up consumer panels in the test-market villages. This panel will have to be set up at the commencement of the test-market. It should be representative of various types of rural consumers. It must, therefore, comprise of big and small farmers, professionals like school teachers or doctors, different age groups, men and women-shoppers, etc. The purchases of this panel of rural consumers will have to be monitored every month to ascertain the brands they purchase, and any shifts that take place in their buying patterns.

In a test-market, it is important to ascertain the rate of repeat buying of the new product. A consumer may buy a new product for the first time due to its novelty or a promotional offer. However, a repeat purchase of the new brand delineates some degree of satisfaction with the product. The consumer panel helps to ascertain the rates of repeat buying of the new brand by the rural consumers. The data from the consumer panel can also be used to forecast future sales and market shares for the entire region based on the brand switching-patterns among the villagers. The advantage of setting up a consumer panel is that it can also be used to garner other indicative information about the shopping habits and behavioural patterns of rural consumers.

Interviews with Women: Women are playing an increasingly important role in buying decisions in the rural areas. However, they prefer to remain in the background. They have assumed a 'behind-the-scene' role. It is immensely useful to interview a cross section of the women in the village regarding their reactions to the product being test-marketed. These interviews should be qualitative and probing in nature. Rural women are reluctant to be included in consumer panels, where they are interviewed along with other men from the village or by male interviewers from the urban areas. Their interviews should be conducted by female market research investigators.

Consumer Surveys: The company can also ascertain reactions to a new product by preparing a questionnaire and interviewing villagers who have purchased the brand. In a consumer survey, it is extremely important to design the questionnaire very meticulously, so as to incorporate all the parameters on which the company would like to obtain information. Most rural retailers know their customers by name. They also know their addresses. It is, therefore, possible to obtain names and addresses of rural consumers to be interviewed from the retailers. The company can broaden the scope of the survey to obtain information about the preferences of the consumer to a whole range of products, if so desired. A company may be test-marketing a new brand of hair oil. If it has plans to enter the field of cosmetics, it can also include questions in the survey to obtain information about other cosmetic products being used by the villagers, e g, talcum powder, face-powder, creams, etc.

Dialogue with Opinion Leaders: To obtain qualitative reactions of the rural consumers to a new product, it is useful to meet the opinion leaders in the village, like the 'sarpanch', the school teacher, the doctor or the village development officer. Admittedly, their reactions would not necessarily be entirely representative of the rest of the villagers. Nevertheless, the qualitative feedback from these opinion leaders provides some pointers to fine-tuning products for rural markets.

With the increased prosperity among villagers, the consumption of durable and non-durable consumer products in the rural areas will increase steadily in the future. Marketers will have to develop products and marketing programmes to achieve rapid trial and product-acceptance among the rural consumers. Even though test-marketing of new products in the rural areas is an expensive proposition, in the ultimate analysis, test-markets in the villages contribute significantly to fine tuning the products and the marketing mix for the rural consumer.

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Guilt of Partition

Asghar Ali Engineer

Mohammad Ali Jinnah and the Creation of Pakistan by Sailesh Kumar Bandopadhaya; Sterling Publishers, 1991; pp 374, Rs 350.

THE partition of India was a great tragedy for nationalists and patriots. Many think that it was an avoidable tragedy. Many attempts have been made, and will continue to be made, to analyse and understand the causes of the partition of India. On the causes too, there are varying views. Some feel Jinnah alone was responsible for it. Some others say it was the divide and rule policy of the British which caused this tragedy. Some, who do not agree with these views, theorise that Nehru, Sardar Patel and other nationalist leaders were no less responsible for it. Perhaps the truth may be that all these factors contributed to the tragedy in different degrees. In any case to hold Jinnah alone responsible for it would be a gross oversimplification. It may be a soothing balm for some to hold Jinnah alone responsible but it would not be honest history.

Among many attempts to understand and analyse the causes of the creation of Pakistan, here is one more by Sailesh Kumar Bandopadhaya. It is certainly not an original piece of research but one must say that Bandopadhaya has tried to examine all the circumstances in which this tragedy occurred. There are, as pointed out above, many factors responsible for the creation of Pakistan. Bandopadhaya tries to examine most of them and quite objectively. He has relied both on original as well as secondary sources but more on the latter. Perhaps this was on account of the nature of the work he has undertaken.

In view of what is happening today in Punjab and Kashmir it also becomes necessary to examine whether India would have held together today even if it had not been divided in 1947. This question, though now hypothetical, could be examined in all seriousness. Even if Jinnah had been won over by the leaders of Indian National Congress and partition averted, it is anybody's guess if serious problems would not have arisen today in holding India together. As we know, the Sikh leaders then firmly turned down Jinnah's offer to opt for Pakistan, enabling Pakistan to extend its boundary right up to Delhi. But there is deep unrest in Punjab today and a section of Sikhs are clamouring for Khalistan. Kashmiris are also crying for *azadi*. These developments cannot be dismissed lightly. However, Bandopadhaya does not raise any of these questions with the benefit of hindsight.

Here again the question arises: can religion be a viable basis for nationalism? Some argue that in a certain context religion can become a divisive factor, but none can seriously argue that it can become a viable basis for nationalism. The religious savants of Jami 'at-ul- 'Ulama too argued, with due support from scriptures, that religion is not a viable basis for nationhood. These savants even found in the practice of the Prophet a justification for composite nationalism and hence they opposed the creation of Pakistan. Maulana Abul Kalam Azad even described the notion of Pakistan as un-Islamic. Azad also felt that creation of Pakistan would do great harm to the interests of the Muslims of the subcontinent.

Azad felt that creation of Pakistan would divide the power of Muslims, which proved true. In a united India Muslims would have been much more politically influential than they are today; they would have constituted the largest Muslim population in the world; it would have avoided the massacre of one million people at the time of the partition. Another million were killed—all Muslims this time—when Bangladesh violently separated from Pakistan. Creation of Pakistan, with all this unprecedented sacrifice of human lives, did not, in any measure, succeed in providing a solution to the communal problem. Communal riots continue to take place in India. Pakistan too is rocked by ethnic riots between Sindhis and muhajirs and muhajirs and Pathans. The problem, if anything, has become more complicated. Bandopadhaya does not deal with these questions, important though they are.

The first chapter of the book has been titled 'Apologia' perhaps because the author tries to show therein that Jinnah in his early years was a staunch nationalist. He defended Tilak gallantly when Tilak was charged with sedition Jinnah also had great regard for Gokhale so much so he was described as a Muslim Gokhale by friends. In 1925 when the young Raja of Mahmudabad told Jinnah that he considered himself a Muslim first, instantaneous was the retort of Jinnah: no, he should consider himself an Indian first then a Muslim. The author also draws readers' attention to the reported conversation of Jinnah with Horniman, the then editor of *Bombay Chronicle*, to suggest that "the sect amongst Muslims to which he belonged believed in the ten avataras and had much in common with Hindus in their inheritance laws and social customs".

Not only this; Jinnah, ironical though it might appear now, was opposed to the formation of the Muslim League in 1906. The author points out, "Jinnah kept himself aloof from the Muslim League as a matter of conviction. Subsequently, referring to the opposition of Jinnah to the activities of the Muslim League during its formative years, Aga Khan, the principal architect of the organisation had to observe: "Our doughtiest opponent in 1906 was Jinnah who came out in bitter hostility toward all that I and my friends had done and were trying to do... He said that our principle of separate electorates was dividing the nation against itself."

How is it then that the staunch opponent of Muslim League and separate electorates became not only a champion of the Muslim League and its supreme leader but also the bitterest critic of united Indian nationalism and the creator of Pakistan on the basis of the two-nation theory. The rest of the book is a search for an answer to this question. Bandopadhaya does not come out with any hitherto unknown answers, or for that matter any hitherto unknown historical facts, but certainly makes an honest attempt to search for an answer—by no means an easy task. It must be said to his credit that the author discusses the entire gamut of the problem with a sense of balance and poise.

The first watershed, according to this reviewer, in bringing about the transformation in Jinnah's attitude was the discussion on the Nehru Committee Report in 1928. Jinnah was looking for an honest solution to the communal problem through the recommendations of the Nehru Committee. He had even persuaded Muslim leaders in their Delhi conference held on March 20, 1927 to accept joint electorates subject to certain conditions which the Congress also had accepted. The League had decided to participate in the All-Parties Conference at the invitation of the Congress on the basis of Delhi Muslim proposals. However, the All-Parties Conference held in Delhi in February 1928 began to deviate from the Muslim proposals right from the beginning. The

author has examined this in detail. Jinnah had proposed that the Muslim representation in central legislature be one-third, that in the absence of adult suffrage as proposed in the Nehru Report, Punjab and Bengal should have seats on population basis and no more and that residuary powers should rest in the provinces and not in the centre.

Though some Muslim leaders like Azad, Ansari, Ali Imam and Kichlew were in favour of the Nehru Report, many others were not and Jinnah's proposals were rejected by the All-Parties Convention due mainly to the tough stand taken by the top Hindu Mahasabha leaders and Sikh leaders. Jinnah was greatly disillusioned and it was the turning point in his political career. Speaking on the Nehru Report, Jinnah, as quoted by the author, had said, "...what we want is that Hindus and Muslims should march together until our objective is attained. Therefore, it is essential that you must get not only the Muslim League but the Musalmans of India and here I am not speaking as a Musalman but as an Indian. And it is my desire to see that we get seven crores of Musalmans to march along with us in the struggle for freedom..."

Citing examples from the constitutions of several countries, Jinnah observed, according to the author, that minorities are always scared of majorities. He was of the opinion that religious majorities were generally tyrannical. Therefore, he felt that minorities had the right to seek safeguards. This was the crux of the matter. It was not a question of religion but a question of interests, the majority normally dominating and denying even the legitimate interests of the minorities. Jinnah, in keeping with the apprehensions of the Muslim minority, was demanding certain crucial safeguards. The Hindu Mahasabha not only rejected these safeguards, a section of the Congress delegates misbehaved with Jinnah.

In fact a crucial chance was missed. Commenting on the failure of the Nehru Report, a League leader later observed: "The Hindu leadership lost the chance of securing their pet theme of a joint electorate, to which even the Muslim League under Jinnah's guidance had committed itself on March 20, 1927 and subsequently by the decision of the Calcutta All-India Muslim League session. Let the Hindu youth of India ponder over these bunglings of their leadership at that time before they blame the Muslims for the partition of the country."

The author has, it must be said, very objectively and impartially dealt with the developments after the report of the Nehru Committee was published. The author also deals with the question of the round-table conference and Jinnah's role in it with the same objectivity. The conference drew a blank and no agreement could be reached on the crucial communal question. It must be noted that again an attempt was made by the Indian leaders to reach a settlement on the communal question at Allahabad in November 1932. Pandit Malaviya and others after a few days' deliberations devised a formula according to which Muslims would be allotted 32 per cent of the seats in the central legislature, Muslims would accept a joint electorate and Sind would be separated from Bombay province if no additional revenue assistance was demanded. The Muslims of Bengal and Punjab were also allotted 51 per cent of the seats. But before a formal agreement could be reached, the secretary of state for India, Samuel Hoare, announced the Communal Award conceding 33⅓ per cent seats to the Muslims. This award frustrated the unity efforts. Thus the British divide and rule policy played no insignificant role in bringing about the division of the country.

The author also deals with the complicated developments after the 1937 elections and the question of including the League in the UP ministry. He has nothing new to say as the ground has been covered by several scholars already. Similarly, the author has nothing much to add on the Cabinet Mission Plan, Nehru's press statement about its non-finality and Jinnah's rejection of the Plan on that basis. In fact, so much has already been written on all this that it is very difficult to say anything fresh on these issues. However, it is worth repeating all this for an objective analysis of the events leading to the creation of Pakistan. The author acquits himself creditably on this count. The book will be found worth reading by those who are not well acquainted with the developments of the period between 1937 and 1947 which is a crucial decade. It was a most difficult decade and before fixing responsibility for the creation of Pakistan on any single individual, party or group it is very necessary to grasp all the events which took place during this decade.

According to this reviewer, towards the end of 1946, when the provisional government was formed, the most crucial question was the division of powers—residual and others—between the states and the centre. Nehru and Patel, it seems, were not very enthusiastic about a weak centre which is what the Cabinet Mission Plan was about. Both wanted a strong centre for different reasons. The choice thus was between a weak centre and united India and a strong centre and divided India. Though the choice was very difficult and painful, it was very crucial. Who chose what is history now. But it should be considered as one—and only one—factor in the complicated drama. One can apportion blame only by emphasising some and de-emphasising some other factors. But that will detract from objectivity.

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TECHNOLOGY AND COMPETITIVENESS

The Case of Brazilian and Indian Machine Tools

JAN PETER WOGART, AASHA KAPUR MEHTA and ARUN MEHTA

Industrial development throughout the world is being increasingly linked to technological developments and their adoption in industrial production. Given this framework, this study discusses major issues concerning the development of industrial technology in general and the impact of the electronics revolution in particular. It also examines the role of the government in targeting and supporting this high-tech sector, and makes policy recommendations based on comparisons of more and less successful countries. Using the Brazilian and Indian machine tool industries as examples, the authors show that excessive protection is counter-productive in industries undergoing rapid technological change.

174 pages ● 220 x 140 mm ● Rs 225 (cloth) ● 1993

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Employment: Asian Experience

Tirthankar Roy

Employment Challenges for the 90s by ILO-ARTEP, New Delhi; pp 147.

CREATION of employment has been a major goal of economic policy in the countries of Asia, one of the world's most populated regions. But like economic growth, experience with job-creation has been uneven, and so has been the composition and quality of the labour force. The volume under review contains four essays describing and explaining these differences, identifying new areas of concern, and suggesting agenda for policy. The papers, written by members of the ARTEP (Asian Regional Team for Employment Promotion), were first presented at a seminar in Delhi. The four papers address, in that order, how the speed and quality of economic growth matter in job-creation, why women's participation in the workforce changes, what are the potentials and nature of jobs in the urban informal sector, and how urban planning matters in employment growth. By and large, the papers do not present original research, but summarise existing research. But they are easily readable, contain essential comparative statistics without being overburdened with data, and can be a useful introductory text for anyone interested in employment and labour market issues in Asia.

The Introduction by Gus Edgren and the paper by Edgren and M Muqtada explore the connection between growth and employment through contrasts between the east Asian NICs, the ASEAN, and the south Asian economies. In the last two decades, the share of agriculture in GDP has declined, but the employment-shares have changed more slowly. The paper contrasts two types: one in which services and manufacturing both expand in employment-shares (the NICs), and the other in which mainly services have grown, and suggests that the share of manufacturing indicates whether services growth "connotes dynamism or distress adaptation". The greater employment-elasticity in the NICs is attributed to the inherently labour-using nature of export-led growth, specially when accompanied by an incentive structure that does not favour capital, and by a concern for 'setting prices right'. However, the strategy also exposes economies to risks of changing relative costs and overseas demand factors unless domestic capabilities expand in the form of rising quality of the labour force. This 'human resource development' depends in particular on rural primary education. The experience, and partly the explanation, of labour absorption in agriculture is similar. In the course of agricultural growth labour-use increased in east Asia, whereas HYVs led to an early mechanisation elsewhere. However, even in the latter, increased productivity and commercialisation, hold promises for employment expansion in rural non-farm sectors and agro-processing.

If one were looking for 'lessons' in success stories, one could be disappointed, for country experiences cannot be exactly transplanted, nor the same measure of success expected, in a changing world. Edgren and Muqtada conclude that the policy-agenda for India, say, "will have to exploit own situation as much as possible, relying increasingly on available resources and markets, and allowing structural change to take place through efficiency and productivity, through infrastructure and human resource development" (p 49). This combines the best part of east Asian experience with a measure of pragmatism. However, on policies specifically addressed to employment-elasticity of growth, the prescriptions might seem too general. In part, the policy agenda is constrained by an uncertainty about sectors like construction or rural non-farm, and by the sheer impossibility of doing anything with the urban informal, leading to the suggestion of "benign neglect". To call it a 'policy' is a little curious.

Economic growth induces women's participation in the workforce by opening up opportunities. Women's participation, in turn, could measure the quality of the labour force, and reduce population growth by lower fertility rates. A V Jose shows that rates of participation have increased uniformly in nearly all countries of Asia, but the occupational and age distributions of the new entrants vary. In general, eduation and better opportunities for the adults tend to remove the children and adolescents from the workforce. And economic growth pushes more of the new entrants into industry and services. Neither has happened in south Asia. Increased participation of women can, however, co-exist with gender disparities in earnings and mobility. This is partly determined by the conventions that govern 'exclusion' and 'selection' of women into specific jobs. The evidence suggests that education works in removing these barriers, but very slowly even in the rapidly growing economies.

The macro-economic issues addressed in informal sector research have hardly changed over the past decade: how large, how productive, is growth dynamic or 'involutionary', and so on. There is, however, a point in assembling recent findings, as Ola Hallgren, Rizwanul Islam, and M Muqtada do, for that concretises the economic profile of cities, and generates time-series in an area where official statistics is of little help. The data show that the informal sector remains large and growing relative to urban employment in major Asian cities. However, it contains two subsectors, one is dynamic, that is, generates savings, and the other grows by absorbing under-employeds. This recognition of a dualism has generated research on the sources of success within the dynamic part, i e, small industry. Considerable product and process innovation are found to take place, usually a result of competition in the product market. A connection between innovation and educational levels can be established. But with workers, skills are acquired mainly through experience, and the use of formal training is discounted. This survey of recent research is useful in the way surveys are. But why the authors substitute the term 'micro enterprise' for 'informal sector' is a mystery. One is about as vague or as useful as the other. If 'enterprise' is a better word than 'sector', which it is, 'micro enterprise' loses on the hint of a divide in the urban economy that 'informal' connotes.

Rashid Amjad's paper addresses a certain mismatch between urban planning and labour market characteristics in the megacities of Asia, forcing informal workers and enterprises to survive on marginal infrastructure often illegally occupied. The paper outlines, in telling statistics, the 'urban inflation' in Asia, increasingly dominated by cities with populations of 10 million or more. There is a close correspondence between city growth, informal sector expansion, and growth of slums. Urban planning has for the most part consisted in land use and physical planning bearing little contact with the socio-economic conditions of the city, "where people live, what they do, and where they work". The paper argues that measures such as provision of workspace for informal enterprises, changes in zoning laws, selective intervention in real estate market via self-financed housing schemes for example, upgradation of basic services in slums, developing labour market information systems, etc, could harmonise a better quality of life in the city with growth in employment.

It would be a mistake to expect new insight in this book. The essays summarise research on well known questions. However, the questions are important, and the quality of the surveys good. The book will interest anyone, including the non-specialist, concerned with policy reform. It is also recommended to those looking for researchable issues in labour, and to those seeking a wider perspective to ongoing work on topics like rural non-farm, urban informal, or construction.

The Yawning Vacuum

A World without Alternatives

Rajni Kothari

In assessing the current historical situation, the most fundamental change is that we may be entering, or may have already entered, a period in which there is going to be little scope for alternatives. Underlying this most unsettling discontinuity in the modern era is not just pervasive globalisation and its various concomitants, such as consumerism and commercialisation of diverse human endeavours through their marketisation, but a basic crisis of vision, a decline of engagement with Utopias, an end of 'alternatives' in the real and comprehensive sense of the term. Not just the erosion of alternative centres of power and systems of 'development' and governance (the collapse of both the socialist and the third world poles) but, though partly related to that, erosion of ideological perspectives, frameworks of knowledge and modes of consciousness.

WHEREAS there has been a large number of reactions and responses to the changes taking place over the last few years, a large majority of these have been in respect of political adjustments, both actual and contemplated, to a drastically changed global power structure. The few academic and media comments that have been there are also in respect of this change. By and large the world of ideas is yet to come to grips with the nature of transition and transformation that human society has been going through over the last few years, how these can be related to the trends which set in during the decade of the 80s (some have called it 'the lost decade', others have celebrated it as 'the end of history', signifying the triumph of one particular ideology and mode of organising human affairs), and what that decade signifies for the larger flow of human history.

Not believing in any doctrine of historical determinism, I do not think that what happened during the 80s was inevitable and inherent in the basic design of the modern world, or of modernity. But I have always had greater interest in discontinuities than in continuities. That is why, as I see it, while the human race has achieved remarkable feats of 'success' within the scientific paradigm it had set out for itself, it has undermined its own achievements through eroding the processes and institutions that it had once put in place. It is to the most recent discontinuity in the historical process and the accompanying erosion of structures and institutions that I wish to address myself in this essay. And I intend to do this by examining the implications of historical events from the point of view of the realm of ideas. From the point of view of an intellectual's perception of the changes that have, whether he likes it or not, overtaken him.

I
Thresholds of Change

The most fundamental change that strikes me in assessing the current historical situation is that we may be entering or may have already entered a period in which there is going to be little scope for alternatives. Both within the system (global and local) and from outside the system. Both within the mainstream culture and through counter-cultural assertions thereto. This entails a very sharp and probably the most unsettling discontinuity in the modern era.

What has taken place is an erosion of alternatives at different thresholds of the human enterprise. The one that is, of course, most evident is the sudden disappearance of alternative fulcrums of power and visions as against the western imperial capitalist model. It is not just the socialist alternative that has collapsed. In many ways the 'third world' as an alternative mode of thinking and organising economic and social affairs, and conceiving of themselves as such, presenting a 'third way' that was different from both the western capitalist and the state socialist ways, has collapsed too. Consequently, there has also taken place (despite assertions to the contrary) an erosion of the global structure of power and human governance, of the dialectical balance thereof, across and within societies (involving nations in one case and classes in the other).

The other major threshold, in some ways related to the erosion of alternative power centres, has to do with what is commonly known as displacement of the 'state' by the 'market'. Now there is much more to the marketisation of life and being than a mere giving up of the state as an engine of human and social change and replacing it by the market. Nor is it just introduction of market capitalism within formerly socialist economies or third world mixed economies. (The Chinese still think they can have both a communist state and a capitalist economy, as if that was an 'alternative' to what is being proposed worldwide.) It is rather reducing the richness and complexity of civil society to a marketplace, or a variety of civil societies becoming part of one huge global supermarket. This will mean, over time, not just the march of a single commercial and consumer culture over diverse economies; it will also entail the erosion of a variety of indigenous 'markets'—from village *melas* and *hats* to various ethnic markets and bazaars—and a whole array of social exchanges that keep a large number of indigenous economies alive. The latter are still around in Africa and large parts of Asia too but they all face extinction under the impact of global homogenisation. Even the various 'ethnic' products and the versatile output of diverse handicraft and artisan communities are being threatened with getting jettisoned by cheap commercial goodies for fulfilling the lust and esoteric demands of the global consumer (including the rich urbanite within the third world countries).

Underlying these two major thresholds is a powerful economic thrust backed by a major ideological onslaught. But there is, of course, a third dimension of this, namely the erosion of counter-cultures worldwide, both in terms of indigenous civilisations and in terms of revolt of the younger generation. And of the various 'movements' from the grassroots. On this I want to dwell at some length in this essay. But before turning to it I would like to draw the macro import of what has already been said, namely, erosion of alternative centres of power and ideology and the simultaneous erosion of the state as an institution in diverse nations and

regions. What lies behind this is an unprecedented consolidation of the imperial era, of world capitalism and of techno-hegemony, i e, the displacement of political management and control by a technocratic elite which represents an entirely new phenomenon. It encompasses various major shifts in the organisation of human affairs, not just the displacement of the state by the market, but also of politics by techno-rationality, of plurality of cultures by a mono-culture, of horizontal 'structures' by a vertical 'pyramid' (put differently, of multipolarity by unipolarity), of *greening* of the world which stresses diversity and spontaneity by its *whitening* which stresses integration and strait-jacketing. The 'end of history' thesis is not to be laughed out; it represents and announces the end of the era not just of the socialist challenge to the capitalist world but also of multipolarity of the world, of the system of nation states. It has called into question a plurality of the world and the dispersal of power that had taken place following the Second World War. It is the return of the capitalist-colonial framework that Fukuyama and other excited champions of western capitalism are celebrating.[1]

II
Crisis of the World System

The fact is that events moved so fast after the Second World War that the imperial centres and their ideologues had no control over them. The world of Winston Churchill, that most clear thinker and defender of western imperialism, seemed to have vanished before his eyes. And the 'Nanga Fakir' and all that he symbolised proved too powerful. (I do not mean Gandhi in any specific sense but only in a symbolic sense, representing the full flow of anti-imperial, anti-colonial thrust.) But it was not just the challenge from the erstwhile colonies and the black races. There were intra-Allies contradictions too which surfaced not too long after signing the Yalta agreement. Again it is not surprising that it was Churchill who announced the arrival of the cold war from American soil. It was a 'war' that had to be waged on several 'fronts': the east of course, the south both by extension of the east but also independently of it and, with the weakening of the western imperial hold and the misadventures like Vietnam and Cuba, within the west too (from the anti-Vietnam movement to the anti-missiles peace movement in Europe). The effort of the US to recoup the lost momentum through ultra-sophisticated nuclear armaments and the star wars proved too complicated, expensive and time-consuming, apart from increasingly losing in legitimacy.

It is by now clear that the post-war diplomacy of the west could not handle the new situation faced by it after the Second World War; there was a basic decline in political statesmanship, a relevant worldview and vision suited to the new phase of world history and the necessary mechanisms needed to deal with a more complex, global reality. This resulted in the ascendancy of a set of foreign service professionals and academic experts, small men without any sense of history. It all signalled the 'decline of the west' (and not just of British and French empires), the rise of American power being at once too arrogant and too philistine to be able to really 'lead the world' (although that has all along been the American penchant and continues to be so).[2] It is also clear that the key mistake on which these western (especially American) strategists worked, namely, the political dismantling of the east and of the south (hence so much stress on the military dimension) failed to 'contain' the challenges posed by the latter and instead provoked a variety of nationalist responses (to which there is no end in sight).

Where the bomb and colonial style diplomacy failed, the market is today being summoned, helped greatly by the internal collapse of the Soviet and east European states and the considerable weakening of the states of large parts of the third world. The question is: will this effort to resurrect the imperial world order succeed? Or will it prove too late and too shortsighted a response, provoking once again a new series of cultural and political backlashes including from states and regions that may just now appear to be co-opted and bought over? The future is by no means assured for the unipolar/corporate/technocratic/globalising model. But right now it is undoubtedly on the upswing and has succeeded in brainwashing the elites—both political and economic—of the erstwhile east and the remnants of the south.

Here it may be worthwhile to take cognisance of recent history in world affairs, of the growth and consolidation of the world system, and the present crisis in it, and of the most recent effort to deal with the crisis both ideologically and in terms of public policy (national and international). We need to explore the earlier correlation of forces after the Second World War that allowed an expansion of the west of a more benign type, as compared to today's expansion of a more coercive and aggrandising type. There were a number of reasons that made this possible. First, there was the tremendous success of post-Keynesian capitalism on the one hand generating enough surplus and producing an unprecedented 'boom' in the capitalist countries. And on the other hand willing (even if accepted reluctantly by some sections) to build a 'welfare state', develop a framework of industrial relations, in the bargain ensure a long era of industrial peace, making the working class itself accept the bourgeois democratic model of the state. In the process this led to a large expansion of internal markets in these countries based precisely on the purchasing power of the working class, yet providing sufficient scope for increased profits and capital accumulation, in turn also expanding externally through a new package of neo-colonialism in which the working class (and the peasantry) in the north became willing partners in the exploitation of the south.

It was a period of considerable consolidation and expansion of western capitalism while at the same time giving it a 'human face' through the development of a globalist humanitarian ideology in the form of helping the poor of the world. There developed a series of institutional and policy initiatives—from the Truman doctrine to Eisenhower's warning to the world of the growth of a military-industrial complex that had emerged in the west (as well as the east) to the highly attractive and enticing symbols generated during the Kennedy era. It was also a period that enabled the capitalist system to respond to and at the same time contain voices of dissent at home—from civil rights to the anti-Vietnam movement to environmentalism, feminism and anti-militarism.

Second, the advocacy of liberal democracy coupled with a 'mixed economy' opened up new vistas to capitalism in parts of the third world (India being the prime example of this) in which the state itself provided major incentives and resources for capitalist expansion. Over time, as we can now see, through the growing appeal of the paradigm of technology, such an expansion paved the way for both government and industry in the third world to become part of the global framework of capitalism.

The fact is that the newly independent states of the third world which had at one time claimed that they would follow an independent path of development (some of them called it 'the third way',[3] still others talked of 'delinking' from the north)[4] failed to generate a real alternative. And ultimately accepted the dominant model of capitalist development propagated from the academic think-tanks of the west which facilitated the integrationist thrust of corporate capitalism. There is of late developing a partnership between the third world bureaucratic colonial state and transnational capital and technology, with a few highly advertised cases of 'success', especially in south-east and east Asia but also in parts of Latin America. This made others (who had opted to be both less brutal *vis-a-vis* their own people and less willing to allow multinational penetration) look like failures and, lacking confidence in their own vision and perspective and the capacity to

hold on to their own distinctive models, ultimately made them too want to 'catch up' and hence get co-opted.

That in this whole change in perspective the 'social question' was shelved or rather that the technological model overtook the social model was not sufficiently noted, even by dissident and opposition forces, and even less by the international alternatives movements, is only part of the co-optation model. The latter had in the meanwhile got sidelined by preoccupation with other issues—environment, status of women, disarmament and the like. (More on all of this later.) Unfortunately, Marxism also failed to respond adequately to this knuckling under by so many countries that were once committed to alternatives to the capitalist model. And, before it knew, came the collapse of the very citadels of socialism.

Underlying such an economic transformation has been a major shift in ideological thinking, starting in the west, then expanding globally. First in parts of the third world where the appeal of liberalisation had started growing since the mid-1970s. And then to the socialist world starting with some countries in eastern Europe where Stalinist excesses had left deep scars and the demonstration effect of western consumerism had made bigger inroads than in either the former Soviet Union or China, in Cuba or Nicaragua. And then again, with the collapse of the Soviet Union itself, both strategically and ideologically, throughout the rest of the third world, not excluding China and India, the two countries that had stood for so long for (though very differently from each other) alternative models of 'indigenous' development.

III
Right Reaction

The 'Right Reaction' first emerged in the west itself. It was a reaction against the welfare state and the modern ideas of distributive justice. It was also a reaction against the growing power of the poor, the minorities (especially the blacks in the US), the third world lobby, the United Nations itself (especially UNCTAD, UNESCO, ILO, UNICEF and the like which were seen to be partial to the third world) and generally against the so-called radical intellectuals. It was an effort to bolster the somewhat weakening military-industrial complex by co-opting a whole lot of strategic thinkers, eminent economists and technocrats (so many of them from India) and other professionals as consultants and members of advisory bodies. We have an emerging global professional elite which is indeed truly 'global' and which along with other groups (government bureaucrats and media representatives) serves the cause of transnational capitalism.

Whereas the power and reach of corporate capitalism has been on the ascendancy over time, despite challenges to it from both political and intellectual circles, what made it a vehicle of right reaction is the powerful and highly aggressive ideological twist given to it by Reaganism and Thatcherism on the one hand and the new phase of Bretton Woods institutions on the other. (There is reason to believe that president Reagan talked the World Bank officialdom out of supporting third world states and towards an ideology of 'privatisation'.) Those who talk of reduced economic power of the US do not reckon with the powerful institutional terrain that the US alone—the US state—wields. This covers a wide variety of fields. Obviously the most important is the military-strategic one. But it is also in respect of international credit and credit institutions in which financial resources of Europe and Japan are also mobilised but the main control continues to be with the Americans. Same is the case with global economic diplomacy and the international trade regime (despite the war of nerves going on at GATT), the international banking regime which is very much controlled from the US (both major commercial banks and of course the World Bank), and international lending and debt regimes, mainly through IMF and various aid-consortia. American hegemony is at once strategic and financial and commercial in which its basic clout is institutional. It is a hegemony that has so far been unaffected by the recession in the west and the US itself, the weakening dollar and all the social costs that the American citizens are paying (rising unemployment, race riots, homelessness and erosion of poverty programmes).

The liberalisation-privatisation-globalisation construct that is being offered to major countries of the third world and the socialist world (including China and Russia) is part of this spreading Right reaction. In fact, paradoxically, while it started in the hegemonic citadels of global power, it is making particular inroads in the two erstwhile alternative blocs that were at one time holding the promise of countering world hegemony by the west, namely, the east on the one hand and the south on the other. It appears as if these former bastions of alternative paradigms are more available for the new ideologies of Right reaction than the dominant centres themselves. The defeat suffered by the British prime minister, Major, on the miners' issue, the recent gentle admonition by chancellor Kohl to his partymen to be prepared to make sacrifices in living standards with a view to accommodating the interests of East Germans and other immigrants, or the whole debate in the US itself on the economic crisis arising from the deep debt in which Reagan and Bush have left the country and the growing demand for the need for intervention by the federal government, are all indications of the end of the Reaganite hold. Also, as the economic crisis in the west deepens and affects more and more people, forcing them to reflect on the paradigm of liberalisation and recall their own experience of the great depression and the fact that the way out of it was built on the ideas of Keynes and not of Hayek, they are beginning to reconsider things.

Unfortunately, such rethinking has not percolated to the ruling elite of third world countries. Indeed, the real frontiers of the new economic ideology are to be found more in the south than in the north. It is here that the erosion of both our thinking as independent, post-colonial states and the alternative perspectives on development that we in our own confused way were experimenting with is taking place.

IV
Erosion of the State

Another vantage point from which to look at the process of erosion of the dominant paradigm on the one hand and the decline of credible alternatives on the other is in respect of the fact that modern history got organised around the institution of the state, both internationally and at home within diverse societies. What we find today is a growing process of disabling and disempowerment of the state at work, its integrity in decline, its legitimacy in doubt. We witness a number of efforts that seem to at once transcend and disaggregate the state and the state system based on 'nation states'—globalisation and regionalisation on the one hand and ethnicisation and demands for greater federalisation on the other. What we have is a simultaneous impact of internal democratising and external colonising thrusts both of which appear to weaken the state as we knew it.

More basic though is the growing crisis in institutionalising the civic and secular processes of history. It is not just the project of the state that is under attack. It is rather that a particular relationship that had evolved between civil society and governing structures as part of the democratic upsurge of modern history that is under strain. New forces are on the anvil—'fundamentalism', 'terrorism', the rise of 'special interests' in the structure of governance, the whole onslaught of technology and consequent depoliticisation which is marginalising both 'people' and 'communities'.

In any consideration of the decline and erosion of the nation state in the third world and multiple assaults on its capacity to manage human affairs it is crucial not to lose one's sights about the historical significance of the project of the modern state, both its philosophical and its ontological rationale at a particular phase

in the post-medieval era (in the main in the European context but in some ways more generally too). It was a project whose phenomenal unfolding gave it a certain centrality in mediating human arrangements but which faced internal contradictions arising from the opposite poles of 'state' and 'nation' (composite secularism versus domineering/decomposing nationalism). It also faced growing distortions arising out of the post-war political order based on competing structures of world hegemony, the neo-colonial political economy and the cultural onslaught of the market and the mass media, ultimately producing its more open delegitimisation under the model of a 'new world order' following the collapse of the earlier world order based on multiple 'poles' and diverse ideologies. While taking cognisance of these evolving phases, each growing out of the earlier ones, it is necessary to take into account both the original promise, the essential project, of the modern state and the nature and causality of its impending destructuring pointing to its likely demise in the next few decades.

One needs to think of the modern secular state as a conceptual/theoretical artefact that emerged in the course of a quickening historical process that engulfed the whole world in one great sweep that was unparalleled by anything known in history (including the periods of the Islamic and the Christian conquests). Also, how, as a matter of basic conception and logic, the modern state had overturned the basis of human identity, turning it around from naturalist, super-natural and theistic cosmologies, in the process greatly reinforcing both the nomocentric and the 'knowledge'centric view of reality (man the master, the state his 'machina'). But how, also, such a powerful centralising force of history produced its dialectical responses—democracy, pluralism, ecology, ethnicity, reassertion of 'spritualism'.

More basic than this larger dialectic of world history is the fact that even during its dominant phase, for large parts of humanity the model based on the centrality of the nation state was more an aspiration than a reality, competing as it did with other identities and loyalties. Also, it was out of the peculiar historical convergence of the cold war and the adoption of a capital-intensive development model—and the memory of conflicts that had shown up during the nationalist movements—that had provided legitimacy to centralised states, and that even then large segments of third world societies (almost the whole of Africa but also large parts of Asia) remained outside their purview.[5] With the erosion of the state under the impact of global forces, these other identities and spaces within civil society are reasserting themselves. The point in all this is that when a major phase in both human affairs and human consciousness is drawing to a close, there is need to take cognisance of the institutional model that had held it together so long which it is no longer able to. Hence the need, the vital need, to appreciate the crisis of the state in recent history.

Indeed, in trying to deal with the situation arising out of the collapse of alternative models to the globalising and hence homogenising model of world capitalism, we need to examine what is likely to succeed the institution of the nation state which is also under attack by the same globalising thrust. Quite new possibilities seem to be under way. Whatever be the economic direction of the capitalist thrust, it does not seem likely that some supra-national political entity will simultaneously emerge on the world scene. Instead, quite a different scenario seems to be in the offing. The vacuum created by the erosion of the modern state and the state system globally is already being filled by the rise of new ethno-nationalisms on the one hand and class encounters in the form of struggles for equity and justice on the other, both of these involving a great deal of strife and violence which seem to be inherent in any major attempt at restructuring the historical process. Perhaps growing out of this convergence of ethnicity and class, and responding to the erosion of the modern secular state, may emerge completely new pan-national formations.

The only one that seems imminent at the moment is the new composite Islamic formation within the Euro-Asian political space. But there may well be other formations too. May be from the Sinic cultural zone still struggling to preserve composite cultures in the face of both nationalist drives and globalising pressures, the re-emergence of a truly composite Hindu worldview drawing upon plural identities and diverse cultural streams or—quite the contrary of that - a fundamentalist quest for a monolithic and theistic formation such as was proposed under the banner of 'Hindutva': the new fashioning of Semitism again: the choice being between its insecure and exclusivist and its eclectic and multi-national perspectives, and of course, the still strong secular structure of European and American power. The latter too faces the challenge of correcting its materialistic, militarist and colonising legacies.

To me, of course, the real answer to the present vacuum and the turbulence is the only civilised alternative to both globalising and ethnicising trends, namely, a worldwide federal democratic movement, both political and social, which alone is capable of responding to both the demands for self-determination of regions and ethnic groups and the struggles for equity and justice. Only such a movement can also respond to the genuine need of transcending national boundaries and experimenting with various supra-national formations that can deal with new socio-economic needs, new ideas of organising human collectivities and the growth of new identities.

V
Cult of Violence

But while all these are still in the realm of possibilities in the future, the presently emergent response to the vacuum and drift and opportunistic cynicism has been a growing turbulence that is engulfing major countries. This is taking the form of a new epidemic of violence that seems to be gaining ground everywhere, especially in the cities and among the unemployed youth but also increasingly in the interiors of various regions, tribal hinterlands and forest reserves (even national parks and sanctuaries) where ill-organised 'militants' (both 'Naxalites' and 'terrorists') find their haven.[7] There is taking place a growing culture of violence, crime, drugs and gun-totting for the sheer 'heck' of it. This is leading to an insipid and ever escalating dissolution of social restraints, indeed of social structure itself, what may be called a loss of structure in the organisation of civil society, a loss of restraining and balancing forces. On top of this—and contributing to it in so many ways—is the macro system's growing insensitivity, callousness and indifference towards the plight of the powerless: the poor, the young, the minorities, 'the dalits' of the world, women above all. As was pointed out recently by the former chief of the Intelligence Bureau, we face 'a dramatic shift in cold, cynical and manipulated violence" arising directly out of the challenge of change for which those in charge of law and order are ill-prepared. He went on to say that "in a period of fundamental transformation and restructuring of society, the main question is: can the police afford to remain inviolate from the turbulence that is sweeping society?" And he asks whether, in the coming generation (confronted with many a serious challenge) the police will be able to draw a "subtle line of distinction" between "creative unrest" and "violent disturbance" and deal with them in the appropriate manner?[8]

In the meanwhile the spectre of unemployment is becoming worldwide (the old political and economic objective of full employment has long back been given up). As this in particular hurts certain communities and classes (blacks, dalits, Muslims), the latter also get socially humiliated, dealt with from a distance (usually by gun-totting policemen) and found dispensable, both physically and socially. For these communities the economic crisis of poverty, unemployment

and illiteracy—and for many of them ill-health—has hit the hardest. Thus, for instance, with respect to the American blacks, the *New York Times* commented: "That a significant minority of Americans face a chronic economic crisis, with 40 per cent of their children in poverty, is a national tragedy. And that a much smaller proportion—perhaps no more than 10 per cent—is trapped in a lifestyle of criminality and self-destruction, we all know and dread". Here in India too the number of people in the crime-prone age bracket (14-24) among the poor is rising, indicating a sharp increase in criminality among the young. This has happened at a time when jobs for the low and semi-skilled workers have been falling and will fall further with technological advances and labour substitution (and with the government giving in to external pressures and 'conditionalities'), putting more and more people into desperate material conditions, hence forcing them to 'escape' into both drugs and crime.

As the propagators of a new economic policy based on 'structural adjustment' are refusing to attend to the real economic crises of a chronic type facing the country—growing recession, poverty, increasing unavailability of education, health, housing, transportation and other 'living conditions' and access to natural resources at affordable costs—those suffering from it all are treated by the state too with growing lack of concern or respect. They are thought almost unworthy of protection by the political and the social order, implicity made aliens in their own country, considered dispensable, excluded from the basic social contract. One is witness to a precipitate increase in human suffering—growing assaults on human dignity, a huge and unbelievable increase in rape and atrocities on women and children, forced evictions of tribals (several lakhs of them), a general withdrawal of minimum necessary care and compassion from those most in need of them.

Naturally, the only response that such unconcern and inhumanity generates is one of criminality and its brutal logic in which the gun becomes the only medium of communication. It provides the new and only source of power—and a sense of power—for those who are at bottom powerless. As mentioned above, wielding the gun becomes an end in itself; these young men are as willing to kill as to die. Both on the part of the agents of the state and on the part of the criminal gangs there seems to be a complete disregard for the value of life itself. Any attempt at creating a genuine democratic alternative will have to come to grips with this growing nexus of poverty, exclusion from civil society, violence and crime assuming the proportions of an epidemic which is growing worldwide but is particularly very seriously affecting us in the third world.

VI

Whither Alternatives Movement?

To sum up the analysis presented so far in this essay as well as drawing implications thereof, we seem to be up against the following:

—An erosion of 'structure' in both international relations and within nation states (alongside erosion of the state as a basis for providing order and balance as well as welfare and justice in civil society).

—End of any humanitarian vision for dealing with human suffering, poverty and unprecendented growth in disparities. Instead, a sharp rise in disparity and iniquity both internationally and within individual states. Growth of hunger and starvation caused by impoverishment created by the very model of 'development' that was supposed to eradicate poverty, growing homelessness and forced evictions of entire communities, assaults on basic dignities, and withdrawal of minimum necessary love and affection even for the near and dear ones, following a basic decline in compassion as a cultural predisposition.

—Serious environmental and cultural costs that lie in store as one looks ahead, given the worldwide acceptance of the capitalist path of industrial development. (For me this is the basic message of UNCED: a moving away from conservation of nature by the people themselves and by local communities to a technocratic management of world resources and the environment, in the process providing a major role to transnational capital and institutions like the World Bank).

—Decline in prospects for economic development, both in terms of prospects for growth and in terms of dealing with poverty and injustice. Instead, arising from an iniquitous model of development, a systematic promotion of disparities both between and within societies, the two being intimately related (two types of 'colonialism').

—An upsurge (partly arising out of economic disparities and growth in poverty and unemployment) of new ethnicities and of new nationalisms, some of these creative and responding to a basic desire for autonomy and self-determination, but many of them highly chauvinistic, including wiping out of entire communities and even nationalities through attempts at 'ethnic cleansing'.

—Meanwhile, in such a period of growing erosion and vacuum, a perceptible vacuum at the level of ideas and vision, a decline in confidence and motivation for producing credible alternatives, a weakening of various social movements challenging established structures of governance and management and the dominant mind set on development and social change.

And yet, as one reviews the last few decades, one is struck by the considerable blossoming of alternatives movement, including movements of protest and defiance against the powers-that-be. One remembers the afflorescence of ideas and the human spirit that the 1968 spring gave rise to in terms of a worldwide youth movement (including an aborted attempt to develop a common front between the working class and the youth as was tried in Paris), to some extent picked up by the alternatives movement in the academia in the 70s and the Green and Peace movements in the 80s, and the diffuse human rights movements in the latter part of 70s and throughout the 80s. There has also been a women's movement that has spread almost worldwide. Yet, none of these has proved capable of defying the basic 'establishment', both the military-industrial complex globally and the corporate-bureaucratic nexus in various regions of the world. If anything, many of those who had set out to create alternative futures seem to have been induced to join these very structures.

Talking of the youth, there has taken place an amazing process of their containment and corruption, a remarkable indifference to their own fate, as if they are wholly unaware of the kind of future that lies in store for their own generation (and the generations to follow). One notices a peculiar unconcern, decline in not just insensitivity but ordinary sense too, withdrawal into some kind of a shell, perhaps of the individual self, or even of the immediate moment of self-indulgence. (Perhaps in this all-out erosion lies the real 'Decline of History.')

It is of course a complex historical process with the younger generation at once seeking a place in the 'establishment' and feeling alienated from it, therefore turning sour and cynical, at times bored and seemingly seeking to opt out of it all but in the end proving opportunistic and getting incorporated into the 'alien' establishment. In the non-western countries this has also meant turning against their own roots (especially for the educated and the more talented and upwardly mobile), their basic social identities, their own people, or a large majority of them (in our own case the anti-Mandal outburst and violence being the apotheosis of this mood).

Meanwhile all kinds of bonds that tie human beings together are under stress. This includes both the bonds of the primary kind (family, kinship, neighbourhood, even bonds of love and sexuality) and those of secondary institutional kind (political parties, activist organisations, aesthetic and literary clubs), even in fields like industry where true business adventures based on creative entrepreneurial initiative are on the decline. The result is

an even deeper vacuum than has been brought out by a mere analysis of the erosion of the social dimensions of the state. What one finds here is a decline and erosion of community yet a craving for a 'genuine community' but not knowing where to find one. At a time when even personal relations are undergoing so much strain and tension, the search for 'community' is likely to prove increasingly problem-ridden. (This is especially so with the middle class, less so with the poorer strata of society.) Can one find it in 'nature', in the environment movement? Though this may be a good and creative 'escape' from the complexity of society and its diverse structures and moral demands, it does not sound to be enough of an answer. (More on environment later.) Is it then to be found in fleeting promiscuity, constant conferencing at home and abroad, endless use of the camera, wild-lifing without real roots in nature, shopping above all?

To continue the analysis, the next series of pick-ups of counter-establishment and counter-cultural thrust, both in the west and in the south[9] came with:

—The peace movement in Europe which, because of its narrowly conceived targets, namely, the nuclear missiles in Europe, and because of the appropriation of the peace dimension by the two superpowers, soon got co-opted by politicians jostling with one another for encashing the so-called 'peace dividend'.

—The Greens movement, again European in origin, which in Europe itself got lost partly by the logic of party politics and partly as a result of the decline in middle class support for the movement. 'Environment' still continues to be a major force with a global constituency but continues to be lacking in either vision or politics. (More on this to follow.)

—The women's movement, UN-inspired and conference-based to begin with, hence continuing to be largely elitist and patronising *vis-a-vis* the non-elite strata though there is some evidence of the lower classes and oppressed communities also picking up the issue and endowing it with a truly authentic culture, style and flavour. Its major weakness so far is that it is a single constituency movement although a few of the women activists are also active in other movements (e g, environment, peace and human rights). In fact some of the most powerful women of our time are those who have been struggling for the rights of the oppressed. But few of these struggles have been waged by the women's movement proper.[10]

—The 'alternatives' and 'alternative futures' movement which remained largely academic and did not make it even to the mass media, not to speak of the masses.

—The human rights movement which probably will grow and acquire a broad base, given the growing repression by the state as well as the decline in welfare and development functions of the state, but which is in danger of being co-opted by the diplomatic offensive of the US establishment which has done so much to bolster militarist and dictatorial (including fascist) regimes, in the process confusing—and confounding—its appeal. How can a country supporting Pinoche and his likes on the one nand and the World Bank on the other claim to stand for human rights?

Each one of these movements has been threatened today by the new coalition of power that has emerged round the world. But more basic than that is the fact that from the point of view of the political process and of the poor, these movements have turned out to be major distractions from the basic struggles for power despite their representing big drives in the secular historical process, coming forward with new agendas holding the promise of new mutations in human consciousness. The question is whose history and history for whom? Are not these movements also contributing, as are the new managers of a world order based on corporate capitalism, to a process of depoliticisation, of trying to intervene in history without being armed with a politics and a vision to inform such politics?

The most fundamental challenge facing these movements is one already hinted earlier in this essay, namely, that of a wide-ranging co-optation by the system. This is of course being widely recognised by concerned individuals. (I have also written on it over many years; it is a process that has been under way for a long time.[11]) What has made the issue of co-optation today more basic then ever before is the fact that the very 'movements' that were supposed to provide alternatives to existing paradigms are being made to serve the interests of established structures of power through clever manipulation by the latter. Leading activists' and 'intellectuals' who have gained influence in the thinking of many people are being 'bought up', not just in the sense of collecting hefty per dime, project grants, travel budgets and foreign trips (which too can be corrupting, even intoxicating) but in the far more basic sense of being provided with more and more avenues of recognition, praise and ego-rides. Many of these 'intellectuals' are being lionised and turned into cult figures, 'legends in their own time' as they are often referred to. They are coming under a torrent of a large and generous flow of tributes that are drowning their egos, many of them in any case being uprooted and fragile individuals, most of them suffering from deep narcicism, unable to detach themselves from the make-believe media, the books they write, the conferences they attend, the great conventions and congresses they help organise. Some of them have of course left an impact—from de-schooling to providing the much-needed fillip to tribal medicine—and have in turn contributed to mainstream thinking, the language and slogans that are used. Also, some of them, like those providing a basic critique of western technological civilisation, are being admired for their unconventional and 'Gandhian' views.

The main reason why these intellectuals can be co-opted by the system has to do with their basic difference from Gandhi (whom they all quote tirelessly) which is that the latter led a political movement of which his critique of western civilisation and the scientific paradigm was a part. The current breed of 'fundamental dissenters', have failed to evolve a political movement out of their dissenting activities (which usually remain a set of opinions and 'voices' some of them no doubt highly relevant). But even these seem to have more of a foreign market than a domestic one. There has taken place an insipid globalisation of most of them, especially of the great dissenters against western civilisation, most of them dealing their mortal blows to the west in seminars they attend in the west: how many of them have fought the west from the real grassroots of their own societies? (In major meetings and rallies of dalits, tribals, backwards and the minorities where I have been—I never miss the chance if I can make it—I have hardly ever seen these 'movement' types, be they environmentalists, feminists, alternative technology types, anti-developmentalists, those holding out for indigenous peoples. The only exceptions have been human rights activists whose main effort is political, or so it seems, as even in their case, many of them are often running away from the heat and bustle of politics.)

In short, the biggest failure of what are known as new social movements lies in their inability to become part of a united political movement.[12] At bottom they are apolitical beings. In a way they are not really leaders of 'movements'. Intellectual movements are not really, in and by themselves, movements of history and because they are not movements of historical change they turn out to be at once anti-intellectual (though they may have started off with intellectual agendas) and anti-political. The result is that, not having really acquired roles in their respective societies through the political process, they are forced to globalise which, in reality, means westernised. In fact, if one examines their life histories, they were westernised long before they took on an anti-western tirade, the latter too having been mediaised and marketised (the big-

gest co-opters being the so-called radical press and commercial publishers, and a new splash of pamphlets and journals, much the most of their products being sold in the western market.) With this and with the various 'counter-cultural' conferences and retreats for which we are told there are always 'enough funds', there has basically taken place a marketisation of dissent. Questions like how many copies sold, how many languages translated in, what kind of reviews, citations, excerpts, how was this or that person's 'Keynote Address' received, etc.

VII

Deep Co-optation

The story of co-optation, unfortunately, does not end here. If it did, it would have affected only a few marginal people (for these are in fact very marginal people from the viewpoint of historical change). The much more comprehensive co-optation that is under way reaches wide and deep. It is taking place by giving a long rope to basic tendencies of dissent and diversity. In our age this is happening through the most pernicious of all influences, namely, opening up of a whole vista of marketable channels, a whole new set of symbolic enticements (from dress to music to hair-dos, even pedicures and manicures, the traditional methods being found cumbersome and time-consuming), not to mention the large explosion of fashion boutiques (in Delhi we also have an Institute of Fashion Technology). Then there is the whole 'design' revolution (from graphics to all manner of packaging our exteriors), supposedly led by creative young talent. And the manipulation of gender revolts against conventional society, incorporating all manner of permissiveness by making it too sound 'creative', this being the most clever use by the media of the symbolism of the feminist movement. Even innocent acts like the endless parade of gifts and presents and birthday parties are being made privy to the all-encompassing market. Much of this is at bottom indeed innocent, there being nothing wrong in giving gifts or enjoying someone's birthday. What is at stake is the manner in which these things get on one's nerves and are then used commercially.

The role of the mass media in all of this has been extremely diabolic, being the most potent catalyst of co-opting all forms of dissent into the paradigm of the market. Co-optation through commercialisation of 'unconventional' documentaries and feature films, counter-cultural exhibitions, poster wars, the various expressions of environmental and anti-science fundamentalism through avant-garde journals and 'seminars' and video-cassettes, the guru-cult. And above all, signing up (through a lot of cash) of third world economists and social and scientists, many of them Marxist and nationalistic, in the cause of a new theology of integration into both a world economy and a 'new world order'. Again at least some of the earnest expressions of the dissenting mood have a lot to commend themselves. It is their becoming so increasingly dependent on the commercial nexus which makes them prone to co-optation by a global monolith that makes them involuntary partners in its cultural onslaught.

The basic design underlying this large-scale penetration through the market is that of suppression of social and cultural diversity and the democratic strivings of diverse peoples towards a truly pluralistic consensus. The massive co-optation across nations is also being called 'consensus'. And there is 'consensus politics' within sharply polarised nations like our own where prime ministers and presidents never tire of using that term.

Perhaps the most fundamental application of the broad critique presented above is to be found in the environment movement—its big boost and deep defeat; its globalisation undercutting its real cultural roots; its creeping professionalisation and marketisation. Here is one movement whose entire rationale lies in recovering both nature and culture, which means moving deeper into community spaces, but which has ended up being more and more globalised, moving up and further up towards ethereal cerebration. This has largely happened due to the increasing commercialisation of environmental activists. Lots of money has been let loose, partly because environment is a big thing in the affluent west, partly because of its being sought after (for seeking legitimacy) by UN bodies and donor agencies, by international NGOs, many of them flush with funds which they do not know how to use, and even by governments and ministries in large parts of the third world. More and more environment-related agreements and commissions are coming up with more and more funds, the latest being the Global Environment Facility (GEF) to be handled by the World Bank. There are projects galore, some of them very good and imaginative but most of them highly routine and humdrum.

Apart from more and more people being professionally enticed, environment has also become a pastime, a leisure-time activity, in fact a commodity. There are a whole lot of young people in this so-called 'movement', landing an easy job in it, living a relatively easy life. The positive thing despite all this is the appeal of environment as a concern to the young in all societies. Otherwise it is still largely rootless and uninspired. Hence on the one hand there still is great possibility of building on the energies and passions of the younger generation, endowing the movement with a radical potential, while on the other hand it has been contained and rendered impotent by the commercial ethic. (To some extent this has happened to the feminist movement too.) It is an issue that takes on people, turns them on (including those without any other antennas or roots), appeals to their real inner selves, yet how much of it has been co-opted and crushed, left high and dry, led 'up the garden path'—in this lies its crucial contradiction. (The most recent major event in the environment movement was of course UNCED held at Rio de Janeiro in Brazil, popularly called the 'Global Summit', the ultimate in movement conferencing, in fact the ultimate in all conferencing. It also revealed how well movements have become increasingly dependent on not just 'foreign funding' but on big money houses,[13] in the long run threatening to hand over the whole movement to the industrial-bureaucratic-technocratic complex.)

VIII

Conclusion

We can now return to the basic issue. Behind all the derailing of various movements is not just pervasive globalisation and its various concomitants such as consumerism and the commercialisation of diverse human endeavours through their marketisation, but underlying it all is a basic crisis of vision, a decline of engagement with Utopias, in a sense an end of 'alternatives' in the real and comprehensive sense of the term. Not just the erosion of alternative centres of power and systems of 'development' and governance (the collapse of both the socialist and the third world 'poles') but, though partly related to that, erosion of ideological perspectives, frameworks of knowledge and modes of consciousness.

We have to ask: Where do all the grassroots discussions and efforts stand? What has become of IFDA and the 'Third System', the *Alternatives* journal (of course it is still coming out, what one means is its continuing impact), the various Green movements, the Friends of the Earth, the Rainforest movement, the Gandhian *Weltanschauung* (Kumarappa and so on), the *Ecologist*, the third world network and so many such other institutional efforts? Basically these have all been part of a liberal response to the nation state on the one hand and the military-industrial complex that had undermined liberalism on the other. There are of course alternatives to the liberal alternative—socialist, third worldist ('collective self-reliance'), 'Gandhian', radical humanist, world federalist—none of which are potent any longer. Most of them still present a distant hope but the hope is getting more and more distant. (The author of

this essay has long been associated with some of these attempts. I still think that human civilisation will go under without an alternative vision and perspective, and am, despite current trends, trying hard to reconstruct one and—frankly—not finding it easy.)

For a long while this decline in the power of the counter-establishment and counter-cultural movements and actors under the steady onslaught of mainstream forces—or the latter's capacity to manipulate the former into its own grand design—had not sufficiently registered itself. Hence the continuing illusion from which activists of various types, their organisations and networks continue to suffer. There have, no doubt, been limited successes, e g, in restoring 'democracy' in some third world and socialist countries—glasnost and all that—though this has not been mainly a result of what are called the new social movements except for the worldwide human rights struggles which have been distinctly more overtly political than the other movements. Or in successfully reducing nuclear arsenals though even here the initial success has given way to a reassertion of militarism as has been recently pointed out by Bernard Lown, the Nobel Laureate who has been part of the movement of physicians for the prevention of nuclear wars. Lown travelled to Russia 'with high expectations' of an all-round cessation of nuclear testing and discovered that, on the contrary, both Russia and the US were committed to continue 'weapons-research' and to co-operate with each other in the same. As was put to him by academician Yablokov, one of Russia's leading ecologists within the inner circle of Yeltsin's advisers, "the militaries of both countries are conspiring against the people of both countries".[14]

In more limited ways there have been successes through resolutions and legislation in the fields of gender rights and environment. And most certainly through raising consciousness on a wide variety of concerns. But what has been dawning on us for some time now is that, despite these gains, how things have been pretty much the same, if anything the hegemonic structures have become more powerful, major sources of challenge to them have been defeated, alternative centres of state power have been pulled down, the condition of the downtrodden has been getting worse, 'socialism' is in disarray, the G-77 and NAM are in a shambles, and so many of the NGOs are being used and even made to vie against each other. Meanwhile a lot of grassroots sectarianism is on the increase, so many individuals are becoming competitive with each other, and the media eating them all up.

Consciousness is certainly on the increase and men and women—and children too—are willing to put up a fight against dominant structures of iniquity and exploitation. But if these structures continue to remain immune to such pressures from below and are indeed becoming more stubborn given the fact that micro struggles have no support from alternative macro structures (as these alternative centres are not around any more), increased consciousness ends up becoming a source of frustration and cynicism, and in the end a readiness to 'fall in line'.

Such a state of erosion of hope under a regime of hegemonism and homogenisation, marginalising millions of people and major centres of political power, producing growing vacuums in civil society in so many countries cannot be a matter of comfort to any thinking person or system of governance, not even to the ruling class if the latter has to pursue its task in a framework of relative stability and minimum participation of affected interests. Lacking the latter, there is going to be great uncertainty in the years and decades to come. Hegemonism *per se* is no recipe for governance or management. A world in which there is no real challenge is a world deeply adrift. Nothing really can work for long. It is indeed a fundamental condition of a yawning vacuum devouring social spaces—endemic and wholly unexpected upsurges, irrational violence on the people and by the people, from the highest to the lowest, new epidemics of poverty and disease, and general loss of control.

Notes

1 See my 'Global Historical Context of Capitalism and Colonialism', paper presented at the National Seminar and Convention in Defence of Sovereignty, New Delhi, June 5-6, 1992.

2 There has always been a large output of academic writings asking the US to play its 'leadership' role. This has got a new infusion of late following on the one hand the collapse of the Soviet Union and on the other hand signs of economic decline of the US. See, as just one sample, Zbigniew Brzezinski, 'Order, Disorder and US Leadership', *The Washington Quarterly*, Spring 1992.

3 See the first issue of *Alternatives*, Vol I, No 1, 1975 in particular Jimoh Omo-Fadaka, 'The Third Way', but the issue as a whole.

4 See the various writings of Samir Amin, in particular *Delinking* (London: Zed Books, 1990), *Maldevelopment in Africa and the Third World* (London: Zed Books, 1990) and *Empire of Chaos* (New York: Monthly Review Press, 1992).

5 On this overall theme but with particular reference to the situation in Africa, see the brilliant analysis by Mahmood Mamdani, 'Africa: Democratic Theory and Democratic Struggles', *Economic and Political Weekly*, October 10, 1992

6 On this whole issue, see my 'Playing the Communal Card', *Newsweek*, the International Edition, December 21, 1992; 'A Moment of Truth', *Hindustan Times*, Delhi, December 23, 1992 and 'Pluralism and Secularism: Lessons of Ayodhya' *Economic and Political Weekly*, December 19-26, 1992.

7 There have been many reports on this. See, for instance, 'National Parks: New Haven for Terrorists', *Indian Express*, November 13, 1992.

8 These views were expressed by M K Narayanan, former director of Intelligence Bureau. They were reported in *Indian Express*, October 22, 1992.

9 It remained largely unrelated to what was going on in the 'east', given the fact that the 'east' had withdrawn into a vast hinterland which was called socialist but which, to my mind, was the biggest let-down of peoples of the world including 'the workers of the world', this total alienation from world history of the Soviet Union and the network of communist parties around the world. Their tragedy can be traced to the process of de-Leninisation of world socialism under Stalin, the biggest culprit but not just him. All those who saw an 'alternative civilisation' in a system that was clearly counter-civilisational were fooling themselves and others. (There was nothing civilisational in Stalin's purge to kill 14,700 Poles!)

10 See Madhu Kishwar, 'Why I Do Not Call Myself a Feminist', *Manushi*, No 61, November-December 1990.

11 Rajni Kothari, 'NGOs, the State and World Capitalism', first published in *Lokayan Bulletin*, 4(5), October-December 1986, republished in *State against Democracy*, New Delhi: Ajanta Publications, 1988.

12 Hence the far greater relevance of organisations like Independent Initiatives, the Federal Front, Bharat Jan Andolan and the human rights bodies like PUCL and PUDR than various alternative development and alternative technology institutions though no doubt the latter do sometimes raise intellectually exciting questions.

13 Thus it is interesting that Maurice Strong, the highly committed global environmentalist who was director-general of UNCED had to enlist not just a leading Swiss industrialist as his advisor but also, in consequence, millions of dollars of corporate funding for the environment extravaganza at Rio.

14 Bernard Lown has written on this matter in many newspapers and journals; see 'Russia and US Perform a Macabre Nuclear Tango', *Pioneer*, October 13, 1992.

Value Added Tax and Fiscal Federalism

A Possible Model for VAT in a Federal Economy

S Gurumurthi

Despite its avowed merits, introduction of VAT in a country with a federal structure is fraught with difficulties This paper discusses this issue with a view to suggesting a possible approach to moving towards VAT in a large federal economy such as India

The author discusses the various approaches to VAT in relation to other forms of direct and indirect taxes and describes how certain other federal economies have grappled with VAT The issues associated with the switch-over to VAT in the Indian situation are then analysed and a possible model for VAT in India is proposed

THE Tax Reforms Committee (TRC) headed by Raja J Chelliah, in its interim report (1991) pointed out that the basic indirect tax at the central level, which should be broadly neutral, should in course of time cover commodities as well as services and that we should move towards a value added tax (VAT) covering services and commodities In the Committee's view it would be ideal if there were one comprehensive VAT replacing the present system of central excise, the state sales taxes and other indirect taxes except the state levy on alcoholic liquor and the state entertainment tax and the proceeds of the tax could be shared between the centre and the states[1] With these objectives in view, the Committee has made certain recommendations, both in its interim and final reports, to simplify the excise cum MODVAT system expand its base, increase its income and price elasticity and prepare the ground for a full fledged VAT system at the central level The Committee has recommended that the present excise tax system should be gradually transformed into a genuine VAT at the manufacturing level, particularly because the government of India has no alternative at least in the near future but to resort to an extended form of excise taxation They have recommended extension of the reformed central excise to the wholesale stage namely, traders who buy from manufacturers and sell to other manufacturers or traders The Committee has recommended extension of MODVAT to textiles and petroleum products Understandably, the reaction of trade and industry to these recommendations has been quite positive because adoption of VAT could help eliminate the cascading effects of excise and sales tax regimes It was widely anticipated that the Central Budget for 1993 94 would incorporate the government's acceptance of these recommendations especially since significant reforms were made in personal income taxation in the 1992 93 budget based on the recommendations of the Tax Reforms Committee. While the union finance minister as could be seen from his Budget speech for 1993 94, is inclined to accept the broad thrust of the Chelliah Committee's recommendations on both direct and indirect taxes, his preference seems to be to move towards a value added tax system only in the long term. This is evident from his statement that 'a nationwide value added tax system cannot be introduced over night and there has to be a broad agreement among the centre and the states on the design of such a system" In order to promote informed discussion and debate the National Institute of Public Finance and Policy (NIPFP) has been requested to prepare the design of a possible VAT[2] This kind of response is but natural despite all its avowed merits, introduction of VAT in a country with a federal structure is fraught with several difficulties This paper examines these issues in some detail with a view to suggest a possible approach to move towards VAT in a large federal economy like India the US and Canada though its focus is on the Indian setting The paper is divided into three sections The first section discusses various approaches to VAT in relation to other forms of direct and indirect taxes like corporate income tax and excise duty respectively The second section describes how certain other federal economies have grappled with VAT in their respective countries The third and final section analyses issues associated with the switch over to VAT in the Indian situation and then proceeds to propose a possible model for VAT in India which could possibly be considered for other federal economies like the US and Canada

I
VAT in Relation to Certain Direct and Indirect Taxes

It is true that the emergence of VAT as a highly buoyant and elastic source of revenue in a period of just 30 years is something unprecedented in the history of taxation VAT has been rightly described as the Mata Hari of the tax world To quote Alan Tait, 'the history of taxation reveals no other tax that has swept the world in some 30 years, from theory to practice, and has carried along with it academics who were once dismissive and countries that once rejected it'[3] VAT has been adopted by as many as 70 countries in the world either on their own or on the advice of the IMF and it has been universally acknowledged as a national sales tax which is evasion proof The *Financial Times* (London) was not exaggerating the growing importance of VAT but was only stating a ground reality when, in its centennial review, it observed, 'The economic and technological changes of the second half of the century have made VAT the quintessential modern tax Further it anticipated that if the trend towards higher VAT rates and fewer exemptions continued, 'the VAT would supplant the income tax as the most important single source of revenue for several governments by the end of the century'[4]

(i) *What is VAT?*

VAT is a tax levied on the value added in each stage of the production and distribution process and can be aptly defined as the ultimate form of consumption taxation In fact VAT is an alternative way of collecting a tax on consumption expenditure[5] VAT can be looked upon as a multi stage tax which produces a yield equivalent to that of a single stage retail sales tax In other words VAT is a tax which is levied in lieu of the cascade type turnover sales tax The alleged preference to VAT over sales tax arises from the fact that it could help dispense with the cascading effects of the turnover sales tax system which suffers from the snowballing incidence of tax over tax as the taxed product passes from the manufacturer to the wholesaler and from the wholesaler to the retailer Most of the countries which have opted for VAT have only levied it in lieu of either cascading turnover sales taxes or excises These include Argentina, Austria, Belgium, Brazil, Chile, Denmark, Federal Republic of Germany Ireland, Israel, Italy Korea, Luxumberg, Mexico, Netherlands Norway, South Africa, Spain, Sweden, Taiwan and United Kingdom

(ii) *VAT as Substitute for Corporation Tax*

VAT has also been viewed as a possible replacement for the corporate income tax or what we call in India the corporation tax The arguments in favour of this

system include claims that border tax adjustments (export rebate and compensating import duties) under the General Agreement on Tariffs and Trade (GATT) are allowed for the VAT, but not for the corporate income tax, and the assumption that corporate savings and investment would witness a substantial increase if VAT were to replace the corporate income tax. However, as pointed out by McLure, there was a "glaring contrast between the neutrality of the ideal VAT and the non-neutrality of the corporate income tax which discriminates between the incorporated and unincorporated sectors of the economy, against equity financing and the use of capital in the incorporated sector, and between industries".[6] In spite of its alleged advantages, McLure held that while the elimination of the corporate income tax might create "enormous tax haven in retained earnings",[7] the tax haven itself might distort economic decisions in important new ways. Secondly, it is virtually certain that any tax on value added would contain exemptions for those items which are administratively difficult to tax and it might well also contain exemptions to reduce the regressivity of the value added tax. For these reasons McLure wondered whether the gain in economic efficiency resulting from the tax substitution would be great, a matter which had to be probed further. Besides, McLure was against substituting a VAT for the corporate income tax due to the regressivity of the VAT: like any general sales tax, the VAT would take a decreasing share of income as income rises and thus would impose a proportionately heavier burden on low income families than on high income families. In McLure's perception, simple substitution of a VAT for the corporate income tax without either taxation of capital gains or low income relief would be completely unacceptable on equity grounds. Around this time (1972) the Nixon administration in the US was toying with the idea of a federal tax on value added, the revenue from which would be used to relieve the burden of the then existing local property taxes used to finance public education. Considering the several faults associated with local property taxation involving several court cases, McLure felt that Nixon's proposal would be preferable to the alternative of either forgoing badly needed public services or continued reliance on the property tax. While McLure viewed imposition of a federal VAT to replace lost property tax revenues as distinctly inferior to replacing these revenues through reform of the income tax system, he felt that the question whether any future American sales tax at the national level should take the form of a VAT or a retail sales tax deserved far more explicit consideration than it had thus far received.

VAT as an alternative to the Corporation Tax has also been examined in the Indian context by Kiran Barman and Usha Bisonoi.[9] VAT has been looked upon as one combining the advantages of being a general tax, without the disadvantages of extended input taxation. As it "does not promote vertical integration so long as there are no exemptions to important sectors in the middle of the chain of production, it is helpful for the efficient and fast growing companies". As such, the VAT is considered conducive to efficiency since a firm is not exempted from its tax liability even if it falls into a loss since it pays tax not on its profits but on the value produced, it tries to improve its performance and reduce the cost of production. Thus "it would also bring in an increase in net capital formation by releasing investable resources to the more efficient sectors of the economy". It is common knowledge that under the existing structure of corporate taxation, corporation tax is payable only by those companies which make profits and that companies which make losses are exempted from tax in spite of the fact that "they use the resources of the nation in the same way in which the profit making firms do". In the case of VAT, however, companies or corporations will try to "economise on their pay roll (wages and salaries) and also in the consumption of raw materials. Incentive to invest will increase in the case of efficient corporations because their capacity to save will increase on account of lower tax rates under the VAT." For replacing the corporation tax by VAT, the calculations made by Saravane[10] for 1969-70 showed that the latter could have been at 13 per cent while the effective rate for the former was 46 per cent. "Thus tax evasion is also reduced mainly because the tax is divided into parts with the result that the incentive to reduce the tax by any one firm is reduced and it is in the interest of a firm to account for the taxes paid by the earlier firms through which the inputs have come; otherwise the firms would have to pay the tax itself. If any firm, therefore, understates its output, it would be caught by the disclosures of the firms buying inputs from this firm. This type of cross-auditing enables the authorities to plug the leakages." Saravane has emphasised that VAT in lieu of corporation tax or as a supplement to the corporate profit tax was relatively more acceptable. In substituting for the existing corporation profit tax, there would be no additional administrative cost because the number of companies registered as tax payers would remain the same: "The introduction of TVA (Tax on Value Added) as a supplement to corporate profit tax can be relatively less cumbersome, and it would turn out to be a tax with high yielding potential as a small change in the rate can be expected to yield large revenue to the exchequer. This aspect gains in importance in view of the need for mobilisation of additional resources for financing plans."[11]

However, adoption of VAT in place of corporation tax would pose a difficult task in a developing economy. In the first place, introduction of VAT would automatically bring within the tax-net those companies which have zero or negative pre-tax profits. A study made by the Reserve Bank of India in respect of the finances of 1,501 medium and large public limited companies showed that during 1970-71, out of 1,501 public limited companies, 365 or nearly one-fourth made negative pre-tax profits and out of these 365 companies, there were hardly a few which added no value during the course of their operations. Under VAT system, however, even these companies would be liable to pay something which could prove to be a great burden for them. According to a school of thought the policy of avoiding taxation of investment goods under the VAT could be advantageous for developed countries but would not be a good policy option for a developing economy like India where there is need for encouraging labour-intensive production techniques. Since the VAT is like a turnover tax or sales tax, it has been apprehended that it may have an adverse impact on the price level at least in the short run because the VAT would be shifted to consumers in the form of higher prices and in the process fuel inflationary pressures in the economy. Moreover VAT requires a complete change "not only in the existing structure of corporation tax but also in the approach to the Indian economic development". It has been held that if the government tries to adopt a single rate VAT, workers, shareholders and landlords will have to pay the same proportion of their wages, dividends, rent (provided there is complete forward shifting of the tax). Barman and Bisonai finally conclude that there is no need for substituting the existing corporation tax by the VAT while there is a need to simplify the corporation tax structure and minimise *ad hoc* changes therein.[12] Besides making the VAT regressive, there are practical problems in bringing within the ambit of VAT a large number of small businessmen who maintain no proper records. The fact that the scheme of presumptive income tax introduced in the last year's budget (1992-93) for small traders and businessmen in India has been practically a non-starter confirms this position.

(iii) *VAT and Excise Duties*

That VAT is levied on a price which is inclusive of customs and excise duties is a fundamental principle in the theory of

the value added tax system While VAT could be levied as well excluding customs and excise duties, it is administratively more convenient to levy the VAT on the all-inclusive base and then make adjustments for the excise duties, if necessary, inasmuch as the customs and excise duties are levied relatively early in the production process as rightly pointed out by Tait On the other hand, levy of excise duties on a base including VAT would be administratively cumbersome Whenever a VAT is started the excise duty rates are adjusted in such a way that the retail price of excisable commodities including VAT and excise duties does not change Even though India introduced a modified version of VAT called MODVAT in 1985 86, it needs to be mentioned that MODVAT is not a VAT in the true sense of its term To quote Tait, 'India has introduced a MODVAT which is not a VAT but a federal excise to get around the powerful interests of the states and their state sales taxes"[13] Despite the established position that a value added tax is levied in replacement of the cascading turnover sales tax which is administered by states VAT has been generally prescribed as a federally levied tax, presumably with a view to ensure uniformity in commodity taxation throughout the country According to this school, introduction of VAT in a federal economy would invariably require the states to surrender their powers of sales taxation to the federal government Later in this paper we have questioned the logic behind this popular international approach to VAT As sales tax is the single largest source of revenue to almost all the states in India, any move to replace it by a central VAT could have serious political repercussions The Tax Reforms Committee, fully seized of this predicament, has made a guarded recommendation that administratively it would be more convenient if VAT at the wholesale stage is collected by the sales tax department of the states concerned in close co operation with the officers of the central excise department and the amount of VAT collected could be allowed to be retained by the state where it is collected

The committee has further recommended that the central VAT can be levied with the co operation of the states which can be persuaded to accept this levy, because their own right to levy the sales tax on goods will in no way be circumscribed and at the same time they will get the entire revenue from VAT at the wholesale stage As regards sales tax, the committee is of the view that this tax could be converted into a form of state VAT within the manufacturing sector and there would be no need for levying sales tax at more than two rates, since the distributional and other non revenue objective could be left to be performed by the central taxes which would apply uniformly throughout the country With these recommendations, the committee has tried to protect the interests of the states These measures alone, in our view, would not be sufficient for a satisfactory switch over to a VAT in the context of fiscal federalism in India Before we take up this question for a detailed analysis, it would be useful if we look at the experience of other federations in this respect

II

Approach towards VAT in Other Federal Economies

(i) *Federal Republic of Germany*

In the Federal Republic of Germany VAT is handled by the states who collect the tax at uniform rates fixed by the federal government and the total VAT revenue is shared between the federal government and the states roughly in the ratio of 70 30 with some special provisions for a larger share for economically weaker states The sharing between the federal government and the states is reviewed periodically and refixed through prolonged and fairly difficult negotiations Hailing this system as 'the simplest practical approach' Tait has recommended this as the 'preferred option' for VAT in a federal structure [14] We shall have an occasion to examine this view in the final section of this paper

(ii) *Brazil*

Prior to 1988 the Brazilian VAT system was similar to the German system in the sense that the federal government determined the base and rates However the VAT base in Brazil was much smaller as items like agricultural inputs, minerals, fuels fresh food and several services had been excluded Brazil levies 11 per cent tax on inter state sales and 17 per cent on intra state sales Further, while the federal government levies the VAT on manufacturers' inter state trade, the states themselves levy the intra state VAT up to the retail sales The lower rate of tax for out of state sales fixed mainly to satisfy the consumer states, leads to certain administrative complications and consequently to tax evasion This system, however, is not administratively feasible since the end user is generally tempted to buy out of state due to the lower tax rate of 11 per cent rather than within the state at a tax rate of 17 per cent [15] Moreover, a firm purchasing any of the several tax exempt inputs will have less credit to offset against its VAT liability on sales than it should and the VAT on its value added will be much higher While this could be justified to some extent, there is a constant conflict between producer and consumer states Modifications to the Brazilian constitution introduced in 1988 have empowered the states to set the state VAT rates themselves and graduate them according to their individual assessment of the importance of goods and services Under the new system, the states are to get 75 per cent of the revenue from the state VAT and the balance 25 per cent would go to the municipalities We shall have an opportunity to refer to the Brazilian model in the third section of this paper

(iii) *Mexico*

There are 31 states and a federal district in Mexico and it is the states who are in charge of collection and administration of VAT in Mexico and remit the entire revenue to the federal government and get in return 19 per cent of the collections Even though the model is similar to that of the Federal Republic of Germany, disproportionately lower share in VAT revenue to the states is a dampening factor for the efficiency in collection The Mexican revenue sharing formula is based on economic conditions in different states The redistribution formula does carry a weight for the VAT collection efforts of the states, effort being defined as the ratio of change in the particular state to the total change in collection In practice, the reward hardly works out to one per cent of the collections Introduction of VAT in Mexico has also left the states rather unenthusiastic about sales tax collections purely for the benefit of the federal government Further the federal district, despite accounting for 50 per cent of the tax payers, collects only 20 per cent of the revenue The collection efficiency also varies substantially from state to state but these problems are more institutional in character and not in any way attributable to the structure or administration of VAT

(iv) *Argentina*

Argentina has chosen a federal VAT administered by the federal government under which the tax revenue is shared with the states, using a revenue sharing formula The Argentine VAT system suffers from a major flaw in that the powers enjoyed by the states to grant exemptions under the federal VAT lead to erosion of the federal tax base

(v) *Australia*

The Australian wholesale tax system is considered to be complex, inequitable and inefficient' [16] While Australia for sometime toyed with introduction of either a retail sales tax or a VAT in order to mobilise more revenue and reduce personal marginal income tax rates, it finally gave up both options and decided to extend the existing wholesale tax and levy a separate tax on services. The alleged

high administrative and compliance costs associated with VAT, relatively larger scope for tax evasion compared to retail sales tax, overstated claims for tax credit as a potential loophole and concerns expressed by trade unions regarding regressivity of VAT have been cited as some of the reasons for Australia deciding against VAT. However, according to some others, the real reason against introduction of VAT was the far greater lead time required, of the order of additional 12 months, for getting approval of parliament as compared to retail sales tax as it would be practically difficult to get any law passed through parliament which has a term of only three years in Australia.[17]

(vi) *Canada*

Canada, like Australia, relies on an unsatisfactory manufacturers' tax which is generally believed to involve distorting cascaded tax elements in exports. Again fiscal federalism has been the main stumbling block in switch over to a VAT in Canada: all except one among the 11 provinces in Canada have substantial independent retail sales tax which they are reluctant to give up. In 1987, the Canadian authorities published a proposal for sales tax reform suggesting three possible sales taxes. The first and most preferred option was a 'national sales tax' which represents a direct-subtractive-accounts-based VAT (the business transfer tax) based on company accounts because its effects on prices would not be explicit and a retail sales tax could still be levied in addition to it. Under this system, while the tax would be at a single federal rate uniform throughout the country, the provinces would have some flexibility to levy their own local variants on the rate. Thus if the federal rate is 8 per cent, Newfoundland could supplement this with a provincial rate of 2 per cent while British Columbia could levy 3 per cent. Provinces which decide to have no truck with the sales tax would be taxed at a zero rate. The tax would be federally administered based on accounts by the Income Tax department. The Canadian authorities claim that the national sales tax system would be revenue neutral: the final tax collected on a product would be the same as it would be under a combined retail sales tax in the province in which the goods are consumed. Taxpayers, however, as Tait points out, would face a tax return with 11 columns, 10 for other provinces and 1 for exports for both inputs and outputs which would make the system administratively quite cumbersome. If only the co-operation of provinces could be secured, the federal authorities are confident of making a success of the system by going ahead with either a federally administered direct-subtractive VAT or a straightforward VAT.[18] The major difference between the two alternatives is that the direct-accounts-based tax would necessarily imply a uniform base and a single rate VAT, whereas the second option could involve exemptions and multiple rates. The national sales tax involves both federal and provincial agreement on the base but allows different rates, while the federal—only goods and services VAT is simple to operate, but cannot accommodate exemptions and multiple rates. The difficulty of reaching a satisfactory agreement with the provinces, apart from the usual apprehensions regarding regressivity and price effects, has probably been the major factor inhibiting Canada from adoption of the VAT.[19]

(vii) *United States*

United States, with a federal structure, provides an important case study for consideration of VAT for a federal economy in general and India in particular. Even though the US has been interested in VAT for the last 30 years, introduction of VAT in the US does not seem to be anywhere near the horizon. The main reason for this phenomenon is that the US does not merely appear to be satisfied with its existing states' retail sales taxes but the possibility of the federal government usurping the powers of the states' powers of sales taxation has been keeping the US away from VAT at a respectable distance—a factor which should not escape attention while contemplating a design for VAT system in India. In the late 70s, Congressman Ullman came up with a proposal for VAT to replace part of the payroll tax, personal income tax and corporate income tax for $52 billion, $50 billion and $28 billion respectively. This proposal was subject to a great deal of public debate even after 1980 when Ullman lost his election. In 1981, Charles McLure proposed that if there were to be a division in favour of a federal sales tax, it might be preferable to go in for a federal retail sales tax rather than to experiment with "a new and unfamiliar form of sales tax, the VAT".[20] Charles Galvin made a fruitless attempt in 1983 to convince the public that a 10 per cent VAT on all purchases would not only finance the defence budget but help to balance the budget as well.[21] In 1984 Richard Lindholm proposed that the corporate and personal income taxes as well as the estate taxes could be replaced by a VAT at 15 per cent and a net worth tax at 2 per cent under which the VAT would become the major source of current revenues while the role of the net worth tax would be to inject better equity into the tax structure than the present direct taxes.[22] In 1985, Senator Roth opted for a Business Transfer Tax (BTT) using the direct-subtractive method under which all traders with a turnover exceeding $10 million, except retailers, were to subtract inputs from outputs leaving value added, namely, wages and profits, to be taxed.[23] This VAT would be available not only for being rebated on exports but also would be eligible for a credit against the social security tax. However, this proposal suffered from a serious flaw in the sense that it would metamorphise an indirect tax into a direct tax, leading to violation of export rebate regulations under the GATT.

We would now like to look at various possible options proposed for a US VAT. One such option would be to continue the existing state retail sales taxes parallel to a federal retail sales tax. The rates of sales tax levied by states in the US are around 5 to 7 per cent. For a federal retail sales tax system to be viable, the federal rate has to be a minimum of 5 per cent without which it may not be possible to cover the costs of establishment and the collection machinery. In that event the combined federal and state retail sales taxes would be 10 per cent or more which would prove unduly excessive. Besides traders would face increased handling costs "unless exemptions, tax periods, returns, audits and penalties are made identical".[24] If they were to be made uniform then one could question the need for two separate taxes. The second option is to continue the existing state retail sales tax in combination with a federal VAT. This would again involve traders having to file two separate returns "taxing different goods and services with differing exemptions":[25] some goods may be subject to state retail sales taxes and some subject to federal tax and some both. Further in the US, by a court ruling, mail order traders are exempt from any obligation to collect taxes from out of state purchases unless the trader has a business presence in that state, which gives the mail order trading houses a competitive advantage over others.[26] The combination of state retail sales tax and a federal VAT may not only be pragmatic as it would in all likelihood be opposed by commercial interests but could also lead to certain amount of cascading. The third option is to combine state VATs with a federal retail sales tax. This possibility too has been considered impractical on two grounds, viz, the states in the US would loath to migrate from their present state retail sales tax towards a VAT system and different states' VATs with different bases and different rates could invariably lead to several administrative bottlenecks in the inter-state sale transactions. The fourth option is a combination of federal and state VATs. It has been alleged that this option could also run into difficulties if different states decide to levy different rates of VAT. The VAT content of the commodities subject to inter-state and intra-state sales could be different depending on the state in which the goods originated, viz, tax credit on each invoice

could be quite different for identical goods if they had originated in different states. As observed by Tait, it may not be possible for traders to apply the joint federal and state VAT rate to inputs for getting credit against VAT liability on sales, as their state VAT rate could differ from the VAT rate of the exporting state: "there is no way out of this dilemma unless full harmonisation of rates and coverage is obtained".[27]

After examining the pros and cons of various such alternatives, Tait concludes that in a federal structure the preferred option to implement a VAT system would be to adopt a form of revenue-sharing on the lines of the one prevailing in the Federal Republic of Germany.[28] This would involve the states surrendering their sales tax powers to the federal government and in return settle for a share in the VAT revenue. While this system might work smoothly in the Federal Republic of Germany, it is doubtful if the same could work in a large federal system like the US, Canada or India with states giving up their sovereign powers of sales taxation not to speak of difficulties associated with working out a mutually acceptable revenue-sharing formula. Even in Federal Republic of Germany, the negotiations between the federal government and the states (Lander) in the matter of revenue-sharing have proved prolonged, difficult and sometimes even painful. Further the states would have no latitude to use different rates or different bases. McLure felt that this method did not appear to be "an appropriate or politically viable solution to the issues of inter-governmental relations".[29] The second-best solution, according to Tait, is to use federal and state VATs on the same base, with the same definition and treatment of goods and services where the traders would register only once, complete the same forms, and make a single return.[30] This again would require surrendering the powers of sales tax by the states to the federal government and therefore may not be practical. If different rates were allowed, it would result in states with low tax rates finding their merchants importing inputs from high tax states offsetting their input liability and effectively reducing their VAT liability and the state revenue. Tait has suggested switch-over to a direct subtractive method of calculating VAT as a possible solution to this problem. Under this system, "each trader in each state would calculate his actual value added for his accounts, and the federal and state VATs could be levied at whatever rates were wanted".[31] For this method to work, it is necessary that the VAT should be calculated by the income tax authorities from the same accounts as the corporate income tax. This procedure, however, will change the character of VAT from a sales tax (indirect tax) to a direct tax on business and would amount to contravening the GATT regulations. Further, as McLure observes "Imports would be diverted through the states with the lowest TVA (tax on value added) rates and exports through the states with the highest rates".[32]

Nevertheless VAT continues to engage the attention in the US as a means of generating an increase in net revenue and reduce government borrowing:

> Interest in the... VAT... will increase as the Gramm-Rudman-Hollings targets for deficit reduction become increasingly difficult to achieve through budget cuts.[33]

Alan Tait sums up opposition to a US VAT as follows:

(i) Liberals oppose VAT on grounds of regressivity.

(ii) Conservatives fear the VAT as a 'money machine'.

(iii) Both liberals and conservatives worry that a VAT would be inflationary.

(iv) State and local officials are concerned about a VAT's intrusion into their traditional preserve for raising revenue.

(v)Both federal and state officials fear that the VAT would be an administrative nightmare.[34]

The interest in VAT has gathered more momentum in the recent years in the US mainly due to the fact that it does hold out potential for augmenting the federal revenue. Introduction of VAT in the US could possibly help financing social security, encourage savings and pave the way for restructuring of the direct taxes. It has been estimated that a general 5 per cent VAT could yield US $70 billion in 1988 and a VAT exempting food, housing and medical care could yield US $40 billion. Nevertheless, introduction of VAT in US is strewn with hurdles mainly impinging on fiscal federalism as the states would not like to give up their sovereign powers of sales taxation. President Clinton is reported to have recently stated that he has not been convinced that a nation-wide VAT would be necessary: "I have never been convinced that we've had to go to a VAT tax; we have some significant reservations about it". Let us now proceed to examine the possibility of introducing a VAT in India which could also provide a suitable model for a US or Canadian VAT.

III

VAT in the Context of Indian Federalism

The above discussion was mainly in the context of a possible VAT for the US but several difficulties associated with the various options broadly hold good for a country like India or even Canada with a federal structure and similar powers of taxation enjoyed by the states. In fact the problem of introducing VAT in India would become far more difficult since sales tax happens to be the only elastic source of revenue available to the states.

As mentioned earlier, the Tax Reforms Committee (TRC) has observed that it would be ideal if one comprehensive VAT could replace the present system of central excise, states' sales taxes and other indirect taxes except the state levy on alcoholic liquor and the state entertainment tax. However, it is the translation of this theory into practice in the context of fiscal federalism as it operates in India which is an extremely difficult and delicate task. In the field of commodity taxation, the Constitution of India has assigned the powers of customs and excise taxation to the central government with the exception of excise on alcoholic liquor while the states have been given the powers of sales taxation. Before examining the question of introducing a VAT in India, it is not merely useful but quite necessary to understand and appreciate the nature and import of these two levies. There is no essential difference between the two from the angle of incidence on the consumer but it has to be recognised that the two taxes are not identical or interchangeable and there are some basic differences between the two levies. In the first place, an excise is a levy at the production point whereas a sales tax is levied on a commodity at one or more points of sale or purchase between the stages of production and final consumption. On the other hand, there could be only one stage at which any particular commodity completes its production process and therefore the incidence of an excise duty should theoretically be only at one point. Since, however, the component parts of the commodity could have themselves been the subject to excise duty, an excise duty on the final product could in practice involve a multiple duty on the components unless the duty is based on the value added components only. It was with a view to eliminate cascading in the incidence of excise duty that government of India introduced MODVAT—a subject to which we referred to briefly earlier. We have dealt with MODVAT in detail later in this section. In the case of sales, the same commodity might pass through various stages of sales, making itself susceptible to sales tax at more than one point, depending upon the system of the sales tax levy. While an excise levy ends at the production point and does not take into account, even indirectly, elements of cost that are incurred after the production stage, e g, freight, insurance, distribution charges and the like, a sales tax is on a much more comprehensive concept of cost and touches not merely the cost at the production point, but also subsequent elements including profits and the excise duty itself.

This aspect was also touched upon in the earlier section on VAT and excise duties. It should also be recognised that the excise duty in India, being a union levy, does not differentiate between one region and another and is uniform throughout the country while the sales tax system and the rates of sales tax differ from state to state. Again, while most of the excise duties are specific, sales taxes are *ad valorem* levies with the result that during a period of high inflation, the sales tax yield automatically goes up, other things remaining the same. In certain countries where excise duties are exclusively reserved for the centre, the levy of sales tax by states has been held to be unconstitutional on the ground that they are substantially the same as excise duties. Similarly the question has also been raised whether the *ad valorem* excise duties are not really sales taxes. As pointed out by the Fourth Finance Commission, the point that needs to be noted is that despite all these similarities both taxes have "distinguishing features" and both have "a positive place in a comprehensive system of taxation and are expressly mentioned in our Constitution".[35]

During the last 45 years, union excise duties and state sales taxes have expanded substantially exhibiting phenomenal growth and buoyancy. In 1950-51, the aggregate yield from the two levies was roughly Rs 128 crore, representing 1.3 per cent of the national income during that year. By 1963-64, this level went up to Rs 998 crore, accounting for 5.8 per cent of the national income. By 1989-90, it rose to Rs 37,466 crore accounting for 10.57 per cent of national income. Among the tax receipts of union government, the excise receipts occupy the most dominant position and account for 43 per cent of the total tax receipts of the centre as compared to 16.3 per cent during 1950-51. Taking all the states together, the yield from state sales taxes in 1950-51 was around Rs 60 crore, accounting for 27.5 per cent of the aggregate state taxes. During 1991-92, the sales tax revenue represented around 54 per cent of the total yield from state taxes. In the structure of the state finances, the position of sales taxes is broadly similar to union excise duties in the case of the union finances, though the relative importance of the sales tax differs from state to state. Sales tax is the single largest source of revenue to almost every state government accounting for about 60 to 70 per cent of the states' own tax revenue in the case of several states as could be seen from the table. That the share of sales taxes in the total tax-revenue of the centre and the states has increased from 12 per cent in 1960-61 to about 21 per cent at present bears eloquent testimony to the growing importance of this tax in India. As a percentage of the total tax-revenue of the states including their share in central taxes, the share of sales tax has increased from 26 per cent in 1960-61 to around 38.5 per cent in 1989-90. Most of the states levy tax on raw materials as well as other inputs. Sequel to the amendment to the Constitution in 1982, sales tax has become leviable on work-contracts, hire-purchases and leases though this has been challenged in the courts of law.[36] Among the various incentives offered by state governments to encourage growth of industries, sales tax concessions either as deferrals or concessional rates are quite significant. Such concessional rates of sales tax or exemptions are available for small scale and tiny industries in nine states and medium and large industries in twelve states. In addition to the general sales tax, central sales tax is collected on all inter-state transactions.

The Fourth Finance Commission, which was called upon to measure the combined incidence of these two taxes and the effect of the incidence on production, consumption or export of the commodities taxed, examined the possibility of determining the proportion that the combined money burden of union excise duties and sales taxes bore to the sale price of each taxed commodity.[37] The commission found that even this limited study bristled with several difficulties: while excise duties were mostly in terms of specific rates, sales taxes, being *ad valorem* levies, created the problem of converting the excise rates to *ad valorem* rates. "For the same commodity, excise rates differed for different categories, whereas in the case of sales tax there was no such differentiation in general." Further there was so much diversity in the system of sales tax levy from one state to another that the question of bringing them to a uniform scale was a job in itself.

The commission noted that wherever the sales tax rates were on the basis of a single-point levy, the problem was simple while where these rates were in terms of multi-point, double-point or a combination of various systems, the conversion of these levies into single-point rates created several problems. The commission also observed that the total incidence of the excise duty and sales taxes on manufactured commodities might also have to include the incidence of excise duty and sales tax on their components: the determination of this multiple incidence was not always easy. The commission found that the states were not in a position to furnish data regarding the total value of sales and total sales tax collections under each item. Had this data been made available the problem of converting other levies into single-point levies might have been far easier, the commission felt. In view of these reasons the commission found it difficult to pursue even the limited study of the proportion that the money burden bore to the price in each excisable commodity.

Even if the commission were able to determine the proportion that the money burden of the two taxes bore to the total price of a commodity, it might not have taken them far in relation to the main task before them since the commission had to assess the effect that money burden had on production, consumption or export of a commodity while the factor of taxation had a bearing on the price of a commodity and in the commission's view, this was

TABLE

(Rupees in crore)

States	States' Own Tax Revenue	Sales Tax	Col (3) as a Percentage of Col (2)
(1)	(2)	(3)	(4)
1 Andhra Pradesh	2986	1628	54.5
2 Bihar	1336	940	70.4
3 Goa	93	64	68.8
4 Gujarat	2687	1642	61.1
5 Haryana	1278	554	43.3
6 Karnataka	2880	1605	55.7
7 Kerala	1642	995	60.6
8 Madhya Pradesh	2050	943	46.0
9 Maharashtra	5491	3039	55.3
10 Orissa	1306	470	36.0
11 Punjab	1524	645	42.3
12 Rajasthan	1384	750	54.2
13 Tamil Nadu	3340	2286	68.4
14 Uttar Pradesh	3209	1582	49.3
15 West Bengal	2679	1320	49.3
15 States (A)	33885	18463	54.5
25 States (B)	34920	18907	54.14

Source: Budget Estimates 1991-92.

no more than "one out of a host of important factors". According to the commission, unless they were in a position to undertake for each excisable item detailed cost-analysis studies of the type that were usually undertaken by the Tariff Commission, they would not be able to determine whether its production, consumption or export was being hampered on account of the excessive burden of either these two taxes or some other factors. In order to recommend any ceilings on sales taxes the commission had not only to determine the combined incidence of the two taxes but also the separate incidence of each. The commission observed that even if data were available it would be "analytically impossible to be precise about the effect of one or two variables when the number of variables was so large" with the result the commission found themselves unable to undertake these detailed studies.

Certain states had represented before the commission that in judging the reasonableness of the restraint that a tax imposed on production and consumption, one had to keep several factors in mind: in the case of certain commodities it might well be the objective of the government policy to limit the growth of consumption and production and in the case of such commodities no corrective action was called for. If the combined incidence of the two levies went to inhibit consumption of essential consumer items to the detriment of the living standards, corrective action had to be taken. Similarly, if taxation had an inhibiting effect on the production of intermediate and capital goods, it was definitely a matter for concern. Apart from the quantum of the tax there was also the manner of imposition and collection. If the taxes were levied or collected in a manner which would stand in the way of the efficient organisation and development of industry—if it would prevent the diversification or location of industry on rational lines or the organisation of procurement of raw materials or distribution of products in the most economic manner—there was a case for overhaul of the taxation scheme. In the then prevailing situation this question was also important from the point of view of promotion of exports. Most states had assured the commission that so far as this aspect was concerned, they themselves were very conscious of the need for exports and were devising suitable adjustments in sales tax levies with a view to reducing any disincentive effect that the sales taxes might have on exports.

With these observations, the Fourth Finance Commission proceeded to examine the manner in which better co-ordination between union excise duties and sales taxes levied by the states could be brought about. All the states had conceded the point that "unrestricted and un-coordinated taxation might affect production as well as exports and that there was need for co-ordination between the tax policies of the union and the states". As to whether this co-ordination could be achieved through a system of ceilings on sales tax rates on certain commodities, combined with a financial sanction in the form of the possibility of a cut in the state's share out of union excise duties in case a state exceeded the ceilings, was a matter on which the states had expressed strong views.

The states drew the pointed attention of the commission to the fact that "sales tax was the only elastic source of revenue left with them and any attempt to place restrictions on their freedom in this field of taxation would affect their capacity to raise resources and would thus handicap them in relation to the requirements of the Fourth Five-year Plan. Sales tax was essentially of regional application and was almost the only major instrument left with them for shaping their economic and industrial policy". The commission noted that the states had been using sales tax along with power tariffs for giving incentive to industry and trade and any dilution of their power in this respect would mean setback to their efforts for encouraging the growth of industry and trade within their respective areas. It was felt that any ceiling on sales tax rates determined by the Finance Commission for a period of five years would remove the element of flexibility from the taxation system of the states and would "cut at the very root of the principle of states' autonomy, thereby, weakening the federal structure". It had also been contended that the "mechanism of adjustments in the share out of an item of devolution, depending on the observance of specified conditions by the states, might well be inconsistent with the constitutional provisions regarding sharing of taxes".

While union excise duties were not compulsorily divisible, it was argued that once a tax was made divisible according to a certain formula, it had acquired all the elements of a devolution item and any conditions imposed on the sharing scheme might not be legally valid. It had also been pointed out that the "linking of the shares of excise duties with the rates of sales taxes might run counter to the principles that a Finance Commission might decide for distributing excise duties". Certain states had expressed the view that between sales taxes and union excise duties it was the latter category of levies which in the case of the most of the commodities imposed a higher money burden. According to them, if at all any restrictions were necessary, the proper course would be to put ceilings on excise duties. The Finance Commission noted that out of the 68 items which were then figuring on the excise list, the problem of co-ordination between excises and sales taxes did not arise in 19 items, accounting for 45 per cent of the aggregate excise revenue. Eight of these items, namely, cotton fabrics, silk fabrics, rayon or artificial silk fabrics, woollen fabrics, sugar, tobacco (unmanufactured), cigars and cigarettes had been exempt from the levy of sales tax under the scheme of additional excise duties in lieu of sales tax. In respect of four other items common to excise and sales tax lists, namely, cotton yarn, jute, steel ingots and pig iron, there was already a ceiling of 2 per cent on sales tax rates under the Central Sales Tax Act, 1956. Then there were certain other items known as 'special goods' in respect of which all the states were then uniformly levying a sales tax at the rate of 10 per cent. In fact the suggestion for this uniform levy had been given by the union government and the states had accepted it. There were in all 15 items in this category out of which seven items, namely, motor vehicles, tyres and tubes, cycles and parts thereof, refrigerators and air-conditioners, wireless receiving sets, gramophones and certain iron and steel products were then in the excise list. In the case of these items, no upward revision had been envisaged in the near future; at any rate, since the current rates had been fixed after consultation with the centre, in future also the revision would be after mutual consultation. Thus out of 68 commodities it was in the case of 49 commodities that the question of co-ordination between excise and sales tax arose. The states' view generally was that if on a proper study of the facts, it was found that in the case of a few selected items out of these 49, a co-ordinated tax policy was called for that could certainly be effected. According to them, however, the proper course, for such co-ordination was 'not the mechanism of a financial sanction in the form of reduction in the share out of a devolution item but a periodic exchange of views between the union and the state governments on problems of taxation and related subjects with a view to evolving co-ordinated lines of action.

It had been pointed out to the commission that there was no need to resort to a scheme of linking the share out of union excise duties with sales tax rates as the then existing powers with the union government under Article 286(3) of the Constitution together with Section 14 of the Central Sales Tax Act, 1956 were adequate for controlling the upper limit of sales taxes in the case of such items as might be deemed to be of special importance. If such action was necessary and the states agreed, the union government could further enlarge the existing list, after providing for compensation to the states for loss of revenue rather than resort to

a financial sanction of the type contemplated in the term of reference. Certain states had argued that a scheme of ceilings on sales tax rates would be inequitable as between industrially and commercially advanced states with a fairly large urban sector and the states which were predominantly agricultural. In the case of the former, the sales tax yield occupied a much more pivotal position in their finances than in the latter: if ceilings were imposed their finances would be more adversely affected than the finances of agricultural states. As against this argument, the commercially backward states had argued that the sales tax revenue on inter-states sales accruing to the advanced states was largely paid by consumers in other states and that in the distribution of Central Sales Tax—a source of revenue which the central government should have distributed on some equitable basis, the backward states had been discriminated against under the then existing arrangements according to which each state kept what it collected on behalf of the central government.

In view of the fact that adequate data for determining the combined incidence of the two taxes and their economic effects were not available, the commission could not proceed to the next stage, namely, that of fixing the ceiling and devising a formula for adjustment in the share out of the excises did not arise. The procedure for framing a scheme of ceilings on sales tax rates and for its implementation should be the same as in the case of additional duties of excise in lieu of sales tax. Both could be evolved by mutual agreement; their successful functioning again depended on mutual understanding. In view of what has been explained above, the commission did not recommend any scheme of ceilings on the sales tax rates of any of the excisable commodities and the question of suggesting a formula for adjustments in the share of the states out of union excise duties did not therefore arise. It is important that the above observations and recommendations of the Fourth Finance Commission are kept in view while making any move to replace states' sales taxes by a "centrally sponsored value added tax". Further the exchange of views between the states and the Finance Commission summarised in the above paragraphs gives a flavour of the reaction of the states to such issues affecting centre-state financial relations.

VAT and MODVAT

One of the merits of the VAT system is that it helps to dispense with the cascading effects of commodity taxation both under either form of commodity taxation—be it excise duty or sales tax. This is the main reason why industries and trade in India have been urging the government to an early switch to VAT. It was with a view to minimise the cascading effects of excise taxation of inputs that in 1985 the government of India introduced a modified form of excise duty called MODVAT. In the following two or three years, MODVAT was extended to cover practically all chapters of the central excise tariff except petroleum products, textile products, tobacco, cinematographic films and matches. The fact, however, remains that MODVAT is not a value added tax in the real sense of the term. "The so-called Indian MODVAT is not a VAT at all, but rather a form of modified excise duty. MODVAT is essentially a manufacturing excise tax with credit allowed for excise duty and customs in a limited number of industries, introduced mainly with a view to eliminate the cascading effect of multi-point excise levies."[38] It is also necessary for the purpose of our study to know the background in which the MODVAT scheme was formulated. Chakraborty noted three measures attempted earlier for containing the inflationary impact on account of the excise taxation system:[39]

(i) In the production of an excised commodity, inputs belonging to Tariff Item 68 were rendered eligible for set-off.

(ii) Within each tariff item the duty paid on inputs within the same item was made available as proforma credit.

(iii)For several excised commodities provision was made for duty relief for specified inputs

It was, however, found that this approach of selective concessions coupled with exemptions granted through more than 500 notifications had only led to several complications in tax administration. Due to the predominance of sales tax as the single most important source of revenue for most of the states, any assessment of the distribution of the tax burden among different sections of society had become extremely difficult. It was in this context that the MODVAT was formulated "as a theoretically appealing way of providing set-offs for taxation of inputs".[40] The L K Jha Committee on Indirect Taxes (1978) had also recommended the levy of such a tax on manufactured goods. However, it has to be recognised that "as long as credit is given only for excise duty and additional duty of customs paid for inputs and not for general customs duty, relief in MODVAT would not be available to certain category of producers like automobile manufacturers who depend largely on imported goods". Inasmuch as the MODVAT has not been followed up by a similar system at the state level in sales taxation, MODVAT could at best be viewed only as a step towards adoption of a full-fledged VAT in India and not a VAT in itself, while introduction of a full-fledged VAT in India would seem to present "numerous administrative and constitutional difficulties, including the vexed question of union-state relations".[41]

The Tax Reforms Committee (TRC) has strongly underlined the need to switch over to a VAT system in India. It is the popular perception that introduction of VAT will invariably require determination of VAT rates by the centre and that a centrally determined VAT should replace the cascading turnover sales tax levied by states. Let us assume for a moment that this theory is correct. It would then follow that introduction of VAT in India is a difficult proposition as the states would not be willing to give up even part of their sovereign powers of sales taxation. Further it would be a Herculean task to convince the states about the superiority of VAT over first-point sales taxes because whatever experience the states so far have in such related matters cannot be considered satisfactory to lure them into a value added tax system. For example, in pursuance of an agreement reached between the centre and the states at a meeting of the National Development Council in December 1956, it was decided that the centre would levy additional excise duties on cotton fabrics, woollen fabrics, rayon or artificial silk fabrics, sugar and tobacco including manufactured tobacco in lieu of sales tax on these commodities earlier levied by the states, with the states agreeing to abolish sales tax on these commodities. Under this tax-rental arrangement, the entire net proceeds from the additional excise duties in lieu of sales tax are to be distributed to the states on the basis of recommendations of the Finance Commission every five years. States have expressed their unhappiness with this arrangement both with regard to the method of its implementation by the centre and the scheme of redistribution recommended by the Finance Commissions.

While the Ninth Finance Commission was given a term of reference to examine the possibility of merging additional excise duties in lieu of sales tax with basic excise duties, not only were the states unanimous in vehemently opposing the proposal but the Finance Commission also strongly recommended against any such move. The commission found that much of the opposition against the proposed merger could be traced to the manner in which the tax-rental arrangement was being implemented by the centre. For example, it had been decided at the meeting of the National Development Council as early as in December 1970 that within a period of two to three years the proceeds from additional duties of excise in lieu of sales tax should achieve a level of 10.8 per cent of the value of clearances and the ratio between the yields from basic duties of excise and additional excise duties on these commodities was intended to be

brought up to 2:1. The commission noted that while the latter commitment was fulfilled in recent years, the former one which was required to be done within three years of the meeting of the National Development Council in 1970, still remained to be realised. Apart from the fact that government of India did not fulfil its promises in regard to realisation from this levy, it had unduly expanded the coverage of the goods by resorting to definitional changes precluding thereby more items from the levy of sales tax and many commodities were also subjected to 'nil' rate of duty. These commodities, therefore, were free not merely from the levy of additional duties of excise but also escaped the liability to sales tax which the states were prevented from imposing for fear of forfeiting their share in the proceeds from additional duties of excise. The Ninth Finance Commission not only did not recommend the merger of additional duties of excise with basic duties of excise, but also proposed that the revenue loss suffered by the states on account of the exemptions of additional duties of excise in lieu of sales tax allowed by the central government should be estimated.[42] The National Institute of Public Finance and Policy (NIPFP) which was entrusted with this responsibility found that states were losing revenue on account of exemptions in the case of khandsari sugar, certain items of textiles like rubberised textiles, knitted or crocheted fabrics and fabrics of man-made materials coated or filamented with preparation of LDPE etc.[43] The NIPFP study has established that the centre has increasingly mobilised revenue from yarn and the raw materials of yarn, empirical evidence provided by the decline in yield from the basic excise duties on fabrics and increase in the yield from yarn. The NIPFP study has strongly recommended that the divisible pool of the additional excise duties in lieu of sales tax should take into account the central tax base of raw materials, yarn and fabrics lest the centre should derive exclusive benefit from the base.[44] Several states have also expressed their reservations regarding the economic criteria adopted by the Finance Commissions for horizontal redistribution of the proceeds from the additional excise duties in lieu of sales tax among the states. While many states have favoured sales tax collections as the basis of distribution, the adoption of criteria like net state domestic product, adoption of 1981 population figures by the Ninth Finance Commission as against the 1971 population figures stipulated in the term of reference have left several states dissatisfied with the scheme of redistribution too. Going by such experience, it should not be surprising if states view any move to introduce VAT not merely as an attempt to encroach upon their sovereign powers of sales taxation but could even question the alleged superiority of the VAT over the sales tax system. Earlier in this paper it was stated that VAT could also be looked upon as a multistage tax which produces a burden equivalent to that of a single stage retail sales tax. That it is the first point turnover sales tax which causes the maximum amount of cascading in the absence of any provision to give set-off for the tax paid at production point in the form of either excise or MODVAT both of which are central levies is fundamental to any attempt at a design for an Indian VAT. In most of the states, sales tax is levied mainly at the first point known as the single point sales tax. The tax is thus collected from the importers, manufacturers or the wholesalers. The only states still having multipoint tax on a few commodities are Karnataka and Kerala. However, since several states also apply lower rates of taxation on sale of items going into manufacturing, like inputs, they may claim that the cascading effects have already been minimised by such measures and that VAT would be redundant in the Indian context.

As mentioned earlier, the possibility of introducing VAT in India has been considered earlier by the L K Jha Committee on Indirect Taxation in 1978 and more recently by TRC headed by Raja J Chelliah. Both the Jha Committee and the Tax Reforms Committee have been in favour of a complete change-over to the VAT system. This would involve redistribution of tax powers between the centre and the states with a view to vest all powers of commodity taxation, namely, excise and sales taxes in the central government, with the states settling for a share of revenue on the basis of formulae recommended by Finance Commissions every five years. As already explained this will be very difficult to achieve since the states would not be willing to part with their sovereign powers of sales taxation. The TRC in its final report has recommended an admixture of VAT, viz. MODVAT at the central level extending to most commodities and rationalising sales tax system at the state level. The Tax Reforms Committee has also recommended extension of MODVAT to the wholesale stage mainly to discourage under-valuation of the manufactured goods since the procedures for MODVAT administration require the levy of tax at the stage of clearance and not at the time of sale. While under-valuation of the manufactured goods at the wholesale stage is an issue which needs to be addressed, extension of MODVAT to the wholesale stage, in our view, is not the solution to the problem. Extending MODVAT to the wholesale stage which involves no manufacturing process would not only be unjustified but would amount to an infringement of the states powers of sales taxation. The transaction between the manufacturer and the wholesaler is in the nature of sale and not an extension of production and should be subject to sales tax and not MODVAT which is a form of excise. We have dealt with this aspect in more detail later in this section. In any event, VAT in replacement of the sales tax through the wholesale stage should be considered as an interim measure preparing the ground for extending the VAT fully to the retail stage. Mahesh Purohit, in a recent paper on the adoption of a state VAT in India, has suggested that the union government could limit their powers to levy excise duty on certain select important revenue-yielding commodities in the nature of special excises which would not be set off against the VAT and the rest of the excise duties could be converted into a system of VAT and the states could be empowered to levy a full-fledged state VAT in the country.[45] Under this system the tax would be levied on all sales beginning with production or manufacture, the tax levied at the stage of manufacture (the existing MODVAT) could be given set-off at the time of levy of sales tax (now VAT) and that the tax at the second stage, i e, at the time of sale, would be levied only on the value added. For reasons of administrative efficiency, however, Purohit has recommended that the centre should continue to levy VAT at the manufacturing level and the revenue so collected by the centre could be distributed to the states on the basis of collection. Purohit believes that "inclusion of MODVAT commodities under the state VAT would eliminate the cascading completely while at the same time allow the centre to retain a fixed proportion of MODVAT revenue as their cost of collection and its own share". Purohit's model envisages division of VAT operations into VAT at the level of centre and also at the level of states both giving set-off for the tax already paid on earlier transactions. Under this system, the inter-state transactions should be treated on destination principle and each state would tax the inter-state sales but the importing state would give set-off for the tax already paid in the exporting state. Under this approach, the existing central sales tax would no longer be necessary.

In our view, any model proposed for a value added tax system in the Indian fiscal federation should be formulated not merely with a view to eliminate the evils of cascading in the system of commodity taxation, be it union excise duty, state or central sales taxes but should be designed in a manner which is politically acceptable to the centre and the states particularly keeping in view the delicate and sensitive nature of centre-state financial relations prevailing in the country. In other words the design of a VAT for India or any other federal economy for that matter cannot

be done in a political vacuum: an economically 'ideal' model could turn out to be politically unacceptable. Any design which ignores this aspect is bound to remain a text book theory which could never see the light of the day. Viewed from this angle, both Tax Reforms Committee's recommendations and Purohit's model suffer from shortcomings though both proposals have definite positive features which have been incorporated in our model. The attempt in this paper is to present a model which, while preserving the economic objectives of a VAT, is also feasible from the point of implementation in the Indian political economy. The reaction of the states to the issue of putting a ceiling on sales tax rates discussed earlier is a clear pointer to the likely reaction to a central VAT.

At the outset, for the reasons explained above, our model tries to preserve the existing division of responsibility between the centre and the states in the area of commodity taxation in India, namely, excise duty at the production point to be levied by the centre in the form of union excise duty and sales tax at the consumption point to be levied by the states. In our view it is the cascading turnover sales tax which has to be transformed into a genuine value added tax. In other words, our model is founded on the fundamental principle that if a value added tax in replacement of states' sales taxes were to be introduced in India that value added tax has to be purely a state VAT, while the central VAT, if any, has to be confined to the extension of MODVAT system for the union excise duties up to the production point only. Even though MODVAT is not a VAT and the value added tax is levied on a price inclusive of excise duties, we recommend continuation of the MODVAT system for union excise duties insofar as it helps eliminate the ill-effects of cascading in the system of excise duty. We do not agree with the popular notion that value added tax has to be necessarily a federal tax. In our view, this is a misconception: as long as uniformity and harmonisation could be achieved among the rates, there is no need to transform states' sales tax to a federal VAT. In fact we would even go to the extent of suggesting that the choice to opt for a VAT in replacement of the sales tax should be left to the states and that it is the states which should exercise full powers with regard to the existing rates, exemptions, administration and collection in the case of VAT just as in the case of the present sales tax system.

The above approach could be supported by the experience with the VAT system in the European community where the member countries run their own independent country VATs. It may be recalled that the VAT was the choice of the member countries of the EC as the best way to promote neutrality and uniformity of the tax burden and to provide incentives for increased productivity and industrialisation. VAT was first introduced in France in 1954 when it became the first European country to implement VAT on a very large scale: "The latest innovation is the VAT. Its emergence in France illustrates the process by which a sort of continuing ferment of improvisation now and then gives rise to an innovation of the first order".[46] The recommendation of the EC Fiscal and Financial Committee that all the member-countries could shift to the VAT form was formulated as early as 1962. In fact members who joined the EC later had to introduce a VAT: Ireland in 1972, United Kingdom in 1973, Portugal and Spain in 1986 and Greece in 1987. Italy was the last country to introduce VAT as late as 1988. It may thus be seen that VAT system in the European community was not introduced overnight in all the member countries at the same time but was introduced by them at different points of time. In our view replacement of states' sales taxes by a value added tax system in a federal economy like not only India but the US and Canada should draw inspiration from the EC model by looking at the European community as a federation of states or vice versa for the limited purpose of our study.

We, however, endorse the following recommendations made by the Tax Reforms Committee for implementation in a phased manner as part of the tax reforms measures to introduce a value added tax system in India.

(a) Extension of excises to cover most manufactured goods at present exempt and some select services mentioned in the interim report;

(b) Reduction in the level of rates on some commodities which are unduly high;

(c) Gradual reduction in the number of rates moving them towards three rates between 10 and 20 per cent for all goods that would be covered by the VAT system;

(d) Extension of Modvat credit to all inputs that are used in the production of, or incorporated in, taxable commodities except for office equipment, accessories and furniture, building material and a few others;

(e) Extension of Modvat credit to machinery not fully at the time of purchase, but in instalments during a subsequent period of years which could be laid down in the law; and

(f) Extension of VAT to the more important services used by productive enterprises.[47]

We also fully agree with the observations of the TRC that the existing excise duty regime for the textile sector should be transformed into a value added tax system by introducing the MODVAT scheme till the yarn stage in all sectors and applying the MODVAT principle in cotton textiles without subjecting grey fabrics to tax at the present time. We also agree with the views of the TRC that extension of MODVAT to the cotton textile sector in order to stimulate export potentials of cotton fabrics and garments.

We have, however, difficulty with the recommendation of the TRC on the extension of VAT to the wholesale stage.[48] The TRC has recommended that a value added tax, namely, the reformed central excise system, should be extended to the wholesale stage, wholesale stage being defined as traders who buy from manufacturers and sell to other manufacturers or traders. The TRC has observed that they should be subject to VAT in addition to excises payable by the manufacturer and that only the value added at their hands should be subject to tax and the manufacturers who buy from these wholesalers should also be able to obtain credit for tax paid earlier. According to the committee this would provide adequate safeguard against the attempts at undervaluation by the manufacturer to reduce excise liability which is the cause of many disputes in excise besides capturing the value added at the hands of the wholesalers. The Tax Reforms Committee has recommended that the VAT at the wholesale stage could be collected by the states' sales tax department concerned in close co-operation with the officers of the central excise department and the amount of VAT collected could be allowed to be retained by the state where it is collected: "This central VAT can be levied with the co-operation of the states who can be persuaded to accept this levy, because their own right to levy the sales tax on goods will in no way be circumscribed, and at the same time, they will get the entire revenue form VAT at the wholesale stage".

The above recommendations have been made keeping in view the existing demarcation of responsibilities in the area of commodity taxation between the centre and the states. In our view, the moment any product leaves the production point after completion of the production process in all respects, all subsequent transactions should be only deemed to be sales and they should be only subject to sales tax and not to any further form of excise duty in the form of a central VAT even though this may be collected and retained by the states as per the recommendations of the Tax Reforms Committee. It is true that sales tax at the first-point of sale is of a cascading type and no credit is currently available to the wholesaler for the excise or MODVAT already paid. Keeping this point in view the TRC has recommended that the VAT at the wholesale stage should be a central VAT which would be levied only on the value added

and could be subject to tax while no such credit would be available if this were to be a sales tax In our view, this could be solved in a different fashion We have already recommended that state sales taxes could be replaced by a state VAT The state VAT at the first point of sale, namely, from the manufacturer to the wholesale stage could be on the value added at the hands of the manufacturer and the necessary credit could be allowed under the state VAT We are conscious that this procedure is fraught with very serious problems since a state giving set off credit to a tax paid at the central level is bound to lead to loss of revenue for the state In our view, this could be solved by linking the issue with the system of redistribution of the net proceeds of union excise duties among the states Presently the net proceeds of union excise duties are distributed among the states based on the formula recommended by Finance Commissions which take into account several economic indicators like population poverty index, distance of per capita income from the state with the highest per capita income, composite index of backwardness measured in terms of the number of agricultural labourers and SC ST population in the state, etc Further part of the divisible pool also stands earmarked for filling the non plan deficit gaps of the states with post-devolution deficits in their revenue account In our view, if the VAT at the wholesale stage were to replace the cascading first point sales tax which would involve giving credit for the tax already paid at the manufacturing level in the form of excise duty or MODVAT, then the scheme of redistribution of the proceeds of union excise duty among the states would have to carry a suitable weight for the collection of union excise duties in the state so that the states are assured of getting back some part of union excise duty collected in their states It would also be necessary to dispense with setting apart any portion of the divisible pool of union excise duties to fill non-plan deficit gaps which have to be taken care of only by grants under Article 275 Since only 45 per cent of the union excise duty currently forms part of the divisible pool with the balance going to the central government this measure alone would not be adequate to compensate the states fully for the credit allowed by them at the first-point sale against MODVAT or union excise duty as the case may be In this connection the author in a recent paper has suggested that the tax sharing between the centre and the states should be in terms of a fixed percentage of the total gross tax-revenue of the centre without restricting tax-sharing to some selective taxes and that this percentage should be 33.33 of the centre's gross tax-revenue.[49] If this system were to be adopted, the horizontal redistribution among the states will have to be on the basis of a single formula which would be recommended by the Finance Commissions for the entire gross tax-revenue of the centre comprised of income tax, corporation tax, customs duty, surcharge on income tax, taxes and duties under Articles 268 and 269 of the Constitution in addition to union excise duties and additional excise duties in lieu of sales tax Assigning some weight to the amount of union excise duties collected in the state in the formula for redistribution of the entire gross tax revenue may not be appropriate. In order to take care of this problem, we recommend that the powers to levy surcharge on income tax could be delegated to the states and the states could fix this percentage individually subject to a ceiling of 12 per cent depending on their commitment towards allowing credits at the wholesale stage for manufacturers' MODVAT Supplementing a federal income tax by a state income tax is prevalent in other federal economies like the US for quite some time In India states have also been pleading with the centre for about the last 30 years for adding the net proceeds from surcharge on income tax to the divisible pool We would recommend that such delegation of powers to the states will not only be an important step in the direction of improving the centre-state financial relations but could pave the way for a smooth transition to introduction of a value added tax system in India

It should be mentioned that our model differs from the EC model in one major respect In the case of the European community, the member countries have, in addition to their own VATs, a federal European community VAT This federal VAT is levied at a maximum of 1 4 per cent This federal VAT, however, is not strictly a VAT but is assessed on a theoretical base In order to ensure that all the European community members are treated equally the commission defines precisely how the theoretical tax-base should be calculated from national income figures, the base equivalent to that defined in the various EC VAT directives. all the various exemptions and deviations that can be used are ignored and it is on the broadest base that the 'federal' EC Commission VAT is levied While the advantage in the system is that traders are not at all involved in tax collection, the states can keep their own tax bases and rates but have to simply meet this federal charge calculated on the basis of the estimated value added The practical problem in this method is that it requires computation of household consumption under various headings of goods and services consumed for each state In the Indian conditions when the retailers maintain no proper records, computation of any such theoretical base will almost be an impossible task. Moreover the federal charge involving all such complicated computation might be justified in the case of EC as the EC VAT is primarily meant to finance the Commission's expenses and programmes and such a federal VAT would not be necessary in the Indian context as the states form part and parcel of one country unlike the countries in Europe

Despite the fact that a federal VAT on the lines of EC VAT may not be necessary in the Indian context, it is not only possible but also preferable to transform the current central sales tax into a federal VAT in the event of India going in for a VAT system in place of the state sales taxes Despite the fact that sales tax is a state subject, the Indian Constitution has placed certain restrictions under which the states are prevented from imposing sales tax on sale or purchase of goods where such sale or purchase takes place outside the state or in the course of import of goods into or export of goods out of the territory of India Further, there is a ceiling rate of 4 per cent under Essential Goods (Declaration and Regulation of Tax on Sale or Purchase) Act 1952 on goods declared essential for the life of the community This covers a large number of items like cereals, pulses, fresh and dried fruits, fresh milk, meat, fish, eggs, edible oil and oil seeds, gur, salt, all cloth woven on handlooms, raw cotton, cotton yarn, hides and skin and so on

In 1956, the Central Sales Tax (CST) was enacted following an amendment to the Constitution which authorised the parliament to levy tax on sale or purchase of goods (other than newspapers) in the course of inter state trade, revenue from which was assigned to the states fully by amending Article 269 of the Constitution This central sales tax act has also placed the following restrictions on the powers of the states with regard to levy of local sales tax on goods declared as of special importance within their respective states

(a) The rate of sales tax cannot exceed 4 per cent,

(b) The tax cannot be levied at more than one stage; if the tax on the local sales has been levied and if such goods are later sold in inter-state trade the local tax is refundable

Obviously the above restrictions were incorporated mainly with a view to eliminate cascading which is the ultimate objective of the value added tax system.

Purohit has pointed out that even though central sales tax is levied to avoid unnecessary movement of goods among the states it does cause the phenomenon of cascading [50] He is correct in his observation that the objective of the CST Act is to regulate the inter-state movement of goods and not to raise revenue for the exporting states The progressive increase in the rate from 1 per cent in 1956 to 2 per

cent in 1985, to 5 per cent in 1990 and 4 per cent in 1975 has been done without due consideration to the consequences. The central sales tax, at present, is levied on inter-state sales only and consignments are exempt. With the current proposal to levy CST on all these exempted transactions which comprise three-fourths of the base, Purohit feels that taxation of all the transactions including consignments would be "inflationary, inequitous and distortionary".[51] Purohit's model for VAT also dispenses with the existing central sales tax altogether with each state taxing the inter-state sales with the importing state giving set-off for the tax already paid in the exporting state to make the system revenue neutral.

Once it is decided to switch over to VAT in place of cascading turnover sales tax, the consequent tax reform measures should cover all aspects of the existing taxation system including central sales tax. Further there are several loopholes under the present central sales tax system like the 'high-sea sales' which are exempt from CST under the act: in actual practice, imported products are kept in customs-bonded warehouse for considerable length of time and mere paper transfer takes place several times depending on market conditions, all these sales being claimed as exempt. Therefore in the event of India opting for VAT system it would be preferable to bring out comprehensive amendments to the Constitution embracing all aspects of sales taxation within the ambit of VAT including provisions of the existing central sales tax. In the process it should be possible to replace the central sales tax by a federal VAT removing some of the elements which have contributed to cascading. However, the yield from the central sales tax thus transformed into a federal VAT should be shared between the centre and the states. As mentioned earlier, the author has suggested that the share of the states in the central taxes should be one-third of the centre's gross tax-revenue, two-thirds being the centre's share and the same should be fixed in the Constitution for a period of 15-20 years. While the yield from the state VAT in place of turnover sales tax will be available fully to the respective states, the yield from the federal VAT in place of the central sales tax should form part of the gross tax-revenue of the centre which would be subject to sharing between the states and the centre on the lines suggested above.

If the states in India were to be given full powers of VAT in the place of the sales tax, one could argue that it would lead to different rates in different states and there would be no uniformity. This can be solved by achieving a certain degree of harmonisation as in the case of EC countries, with the central government playing the role of the EC in co-ordinating the efforts of the states in this direction. In this connection the experience of the EC in the matter of VAT has some valuable lessons for India. The VAT can be applied either on the basis of origin or on the basis of destination—which then allows replacement of the destination principle by the origin principle when a significant degree of harmonisation has been achieved. The EC has firmly adopted the destination principle as the approach of the origin principle of VAT has been considered not feasible in the EC context.

We feel that with the above structural changes in tax reforms, it should be possible to introduce a VAT successfully in India on the lines of the EC model. Uniformity in tax burden and full harmonisation could be achieved over a period of time with the central government playing the role of the European Commission without any need for a federal VAT. Fiscal federalism will stand in the way of VAT only if there is an attempt to replace the state sales tax by a central sales tax or a central VAT. The model recommended in this paper does not suffer from these problems. It could, however, be argued that a similar system in Brazil where under the new Constitution enacted in 1988, the states are to set the state VAT rates themselves on the basis of their assessment of 'essentiality' of the goods and services has been criticised on the ground that "while in other countries there seems to be a general movement toward reducing divergencies in tax rates between sectors and between countries to reduce distortions, Brazil seems to be moving in the opposite direction".[52] But it is possible to solve these problems by the states organising themselves into a regional grouping or a community on the lines of EC or a customs union with a view to bring about harmonisation and uniformity in VAT rates. In fact Brazil has used the state VAT to stimulate exports and promote certain projects of 'natural interest'. Since 1975, such projects, including telecommunications, power, and steel have not had to pay VAT on their inputs. During 1971-77, the usual VAT exemption for exports was supplemented by a subsidy which was an extra VAT credit expressed as a percentage of the firm's export value. The state VATs in Brazil have a wider base including services such as communications, consumer credit charges, electricity, and transport and also include fuels and minerals. But the problem in Brazil is the constant battle between the producer and consumer states on account of the vast difference between inter-state and intra-state VAT rates and exclusions and exemptions granted by the federal authorities justified on grounds of the need to stimulate economic expansion. In one sense the difference between inter-state and intra-state VAT rates in Brazil is not different from the inability of the US government to bring the mail order firms within the ambit of retail sales tax liability. We would suggest that the National Institute of Public Finance and Policy which has been entrusted with the task of evolving a suitable design for an Indian VAT should, among other things, study both the EC model and the Brazilian experience, and see to what extent it could be adapted to suit the Indian conditions. It would be necessary for the NIPFP to associate persons with vast experience in sales tax administration in some of the major states in India with this study of national importance. We would also suggest that the NIPFP should be requested to complete the proposed study in a period of three to six months. In view of the fact that introduction of VAT in a federal economy like India would invariably require the co-operation of the states the government of India could refer the design recommended by the NIPFP as well as other models like the one suggested in this article to the 10th Finance Commission with a view to give their recommendations on their feasibility by ascertaining the views of the state governments on the same lines as the issue of the combined incidence of Union excise duties and sales tax was made a term of reference to the Fourth Finance Commission in 1964.

There could be no two opinions on either the growing importance or the advantages of value added tax system as could be seen from the phenomenal increase in the number of countries opting for the VAT system year after year, even though, at least one country, namely, Norway, which after having opted for VAT in place of retail sales tax has seriously considered the possibility of reverting to retail sales tax system. While the protagonists of sales tax could argue that a single-point sales tax largely takes care of the problems which are supposed to be solved by VAT, it has been the general experience that the single-point sales tax proves efficient at relatively low rates but it becomes increasingly difficult to administer the same with the progressive increase in rates. Apart from the advantages of eliminating cascading associated with sales tax regime, VAT also holds out great potentials of raising additional resources by bringing within its purview the services sector like medical, computer, consultancy and automobile repairs services and even a sector like housing. Therefore a country like India which experiences the phenomenon of a large fiscal deficit might stand to gain by opting for VAT in the not-too distant a future. In this paper we have tried to dispel the impression that VAT and fiscal federalism always "constitute an uneasy compromise" (Tait). This would, no doubt, require legislative changes. Federalism may have its shortcomings but

the European community is a shining example of how politically independent countries, by coming together to derive great benefits in the matter of international trade, have moved far ahead in this direction by enlarging and refining the concept to embrace monetary and fiscal policies. Even in the case of the erstwhile Soviet Union, a strong case was made out to opt for a system where the republics could be politically independent but could continue to remain economically united in the matter of monetary and fiscal policies. Fiscal federalism in India, despite some of its shortcomings, can be rightly described as a highly successful model for other federal economies to emulate in several respects; for instance the institution of an independent Finance Commission is a unique feature of the Indian Constitution, which has no parallel anywhere in the world. India could seriously consider the EC model in the event of opting for a value added tax system in replacement of the cascading type turnover sales tax and may in the process prove to be a good model which could possibly be followed by other large federal economies including Canada and the US.

Notes

[The author would like to acknowledge with thanks the comments on an initial draft of the paper from Raja J Chelliah, chairman of the National Institute of Public Finance and Policy (NIPFP) and Mahesh C Purohit, professor at the NIPFP.]

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Macroeconomic Impact of Public Sector Enterprises

Comment

S Mohanan Pillai

THE operational inefficiencies of Public Sector Enterprises (PSEs) and their impact on government finances have been much debated issues in the policy circles Though rhetoric very often gains currency hardly any concerted effort has so far been made to empirically quantify the implication of public sector units on the fiscal crisis R Nagaraj ('Macroeconomic Impact of Public Sector Enterprises Some Further Evidence', *EPW*, January 16 23) has raised a few issues viz, whether the deficit of the PSEs has increased over the years, whether the financial burden of the PSEs on the government budget increased over the period, whether the internal resource generation of PSEs has been lower than that of private corporate sector and whether there is any observed improvement in resource generation by PSEs in the 80s, and if so, whether it is on account of increase in administered prices

Nagaraj's study attempted to discuss the above issues by comparing the growth and trend in fiscal deficit *vis a vis* public sector enterprises' deficit during the period 1960-61 to 1989 90 In the estimation of fiscal deficit, the author has used the consolidated accounts of centre, states and union territories governments Regarding public sector enterprises, the study considered all non departmental non financial enterprises (NDNFEs) which, according to the author, are not only the majority in terms of number but are also analytically comprehensive The study concludes that the deteriorating fiscal deficit is mainly on account of decline in the savings of administrative departments (ADs) which has turned negative since mid 80s rather than due to decline in surplus generation of the public sector

This note examines the methodological appropriateness of Nagaraj's study and the inferences drawn from it The following are some of the methodological shortcomings in the estimation of PSE deficit and findings thereon attempted by the study Firstly, the public sector enterprises' deficit estimated in the study may not truly be comparable with the fiscal deficit The gross fiscal deficit, in the strict sense, refers to the aggregate public sector borrowing requirement (PSBR) In other words, fiscal deficit refers to the overall debt financing of the budget The study, however, has not specified the methodology of estimating the fiscal deficit. Moreover, the overall PSE deficit estimated seems to be rather a conventional deficit gauging by the method adopted It may be noted, the fiscal deficit by definition is a wider concept and conventional deficit is a narrow concept Hence, there is a methodological limitation in comparing two sets of estimates based on differing conceptual frameworks Instead, what the study should have attempted was to estimate the overall public sector deficit (central states, UTs and public sector enterprises put together) and then to relate the contribution of PSEs to the total deficit

Secondly the study has presumed a widening gap between PSE deficit and fiscal deficit over the period Such a trend observed may at most largely be attributed to the differences in the definitions of the two concepts As alluded to earlier fiscal deficit is a wider concept and loans and advances as a source to bridge the resource gap consti

TABLE PRODUCTION ACCOUNTS OF NON DEPARTMENTAL NON FINANCIAL ENTERPRISES (NDNFEs)
(At Current Prices)

(Rs crore)

Particular	1980 81	1984 85	1989 90
Intermediate consumption	2 95	57601	94711
Compensation of employees	4305	8 36	16754
Operation surplus	1411	661	10939
Consumption of fixed capital	6 5	5097	11840
Indirect taxes	2269	3630	14357
Subsidies minu	2135	1779	6983
Gross input	36437	0953	140618
Gross output	36437	0953	140618
Income and Outlay Account of NDNFEs			
Income from property	7819	5389	12272
Direct taxes	741	1736	1278
Current transfer rec	353	631	1095
Saving	1650	1071	1515
Disbursement	1765	6395	14130
Operating surplus	1414	5661	10939
Income from property	211	514	2525
Current transfers rec	78	187	666
Receipts	1765	6395	14130
Capital Finance Account of NDNFEs			
Change in stock	2092	2795	4212
Gross domestic fixed capital formation	5131	11908	24404
Purchase of land	66	141	247
Gross investment	7289	14844	28863
Saving	1650	1071	1515
Consumption of fixed capital	2637	5097	11840
Capital transfers	159	32	841
Financing of gross investment	1146	3994	11166
Net lending	6143	10850	17697
Cash balance	39	53	18
Bank balance	18	830	1615
Investment in share and securities	248	193	5271
Loans and advances	741	2547	3140
Foreign assets	1	52	64
Other domestic assets	2076	5080	8605
Net acquisition of assets	3123	8374	18677
Paid up capital	1712	3491	3879
Loan	4083	8156	17226
General government	2844	4169	4511
Financial enterprises	616	1830	7871
Non financial enterprises	278	976	1968
Others	345	1181	2876
Foreign liabilities	115	1627	2268
Other domestic liabilities	3356	5950	13001
Net incurrence of liabilities	9266	19224	36374

Source National Accounts Statistics (various issues)

tutes a major component. A significant portion of the loans and advances raised by the government, however, goes to public sector units in the form of equity of the PSEs as well as loans. It may be noted that over the years while the government's liabilities have gone abnormally high in the form of interest burden, the returns from PSEs by way of dividend have been paltry. In this context, the study should have made a comparison of PSEs' deficit with fiscal deficit net of interest liabilities since PSEs also elicit a portion of the loans and advances raised by the government. In other words, instead of the fiscal deficit, Nagaraj should have used the primary deficit to study the pattern and trend in fiscal versus PSE deficit.

Thirdly, the study has confirmed that the budgetary allocations to PSEs have shown a downward trend during the 80s. Statistical evidence is quite supportive of this argument. Nevertheless, one could also notice that the debt financing of those units also showed tremendous strides in the 80s (see table). National accounts statistics (NAS), which form the basic source of statistics on PSEs used by the study, indicate that net incurrence of liabilities (paid-up capital and loans including from government) has surged over time from Rs 9,266 crore in 1980-81 to as much as Rs 36,374 crore in 1989-90.

Finally, the inference of the study that the fiscal crisis is basically on account of the growing expenditure of the administrative departments rather than the poor financial performance of the PSEs is also not flawless. It is a fact that the emergence of the fiscal crisis has largely been on account of the growing expenditure of administrative departments. At the same time, one should note that the poor working results of the PSEs have a larger bearing on the upsurge in the expenditure of administrative departments. Government very often resorts to jacking up administered prices basically to meet the growing resource crunch of the public sector enterprises. This, in turn, balloons the expenditure of the administrative departments through the inflationary process,* the government sector being a captive market for most of goods and services of the PSEs. Another channel through which PSEs' operations burgeon the administrative departments' expenditure is subsidy. NAS data show that the subsidy received by NDNFEs has shown a steady increase from Rs 2,145 crore in 1980-81 to Rs 6,983 crore in 1989-90. The subsidy element also provides protection to the PSEs against competition from the private corporate sector. To capture this influence, the subsidy should be treated as a component on the expenditure side although the study has netted it out from the revenue side.

The study under reference is nevertheless an earnest attempt to capture the magnitude and implications of public sector enterprises' deficit in the budgetary operation. The findings of the study, however, have limited validity owing to the aforesaid methodological problems. In other words, discussion of the issues relating to the estimation of the overall public sector deficit in general or the deficit of public sector enterprises in particular still remains inconclusive. In this connection, it may be noted that the estimation of a comprehensive public sector deficit is limited by, *inter alia*, the difficulties in the compilation of requisite data as well as consolidation of statistics for activities that are of different nature. The only available estimate on public sector resource gap, albeit partial, is that published in the *Economic Survey* of the government of India.

To sum up, since the estimates of public sector enterprises' deficit arrived at by the study cannot be used for working out the overall public sector deficit (PSER) due to conceptual flaws, the methodology adopted by the study has got only limited practical applicability. The study, however, provides some insight into the nexus between the financial performance of public enterprises and the fiscal crisis.

Note

* This is based on the fact that the weight of administered items forms almost 20.2 per cent in total weight in the WPI index.

Reply

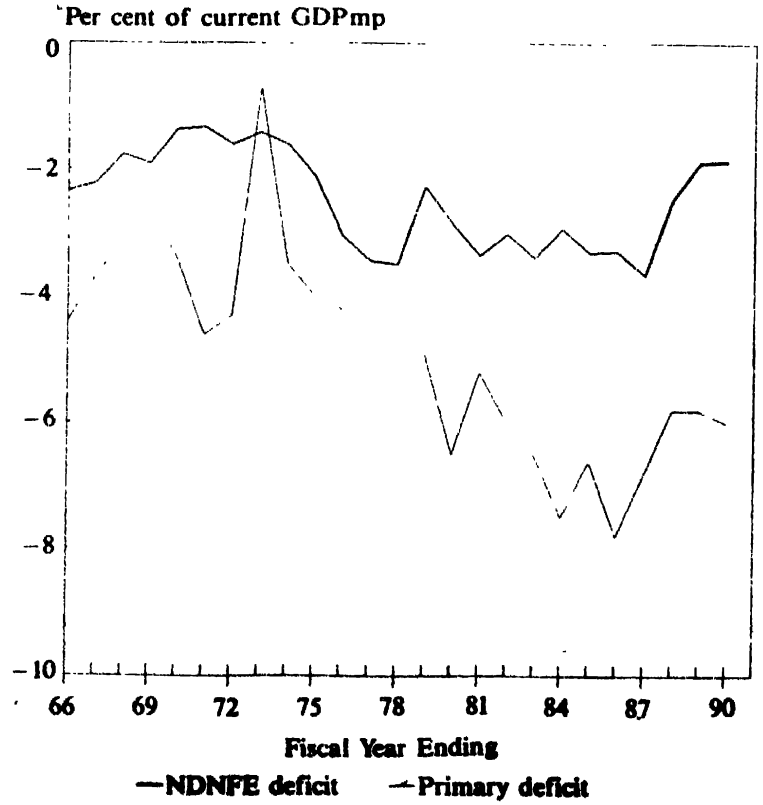
R Nagaraj

S MOHANAN PILLAI (SMP hereafter) has faulted our methodology for assessing the macroeconomic impact of public sector enterprises (PSEs) in India [Nagaraj 1993]. Defending the method followed, this note offers some more evidence to strengthen our findings. As the concepts and definitions used here are same as earlier, no explanations are provided for them.

SMP says that "The study... has not specified the methodology of estimating fiscal deficit." Perhaps, he has overlooked footnote 5 of the paper (p 108), which provides the necessary details.

Overall deficit of PSEs, as explained, is a ratio of the difference between their revenue and expenditure—combined for capital and current accounts—and current GDP at market prices. As R P Short, who outlined this concept, stated, "The principal summary indicator of the macroeconomic impact or public enterprises is their overall deficits of financing requirement. It provides a measure of the effect of public enterprise operations on the balance between demand and supply in the economy..." [Short 1984: 144]. This indicator of PSEs' deficit is a comprehensive measure which includes,

FIGURE 1: PUBLIC ENTERPRISE SECTOR DEFICIT AND PRIMARY DEFICIT OF PUBLIC SECTOR AS PERCENTAGE OF GDPMP



Source: NAS and Public Finance, (various issues)

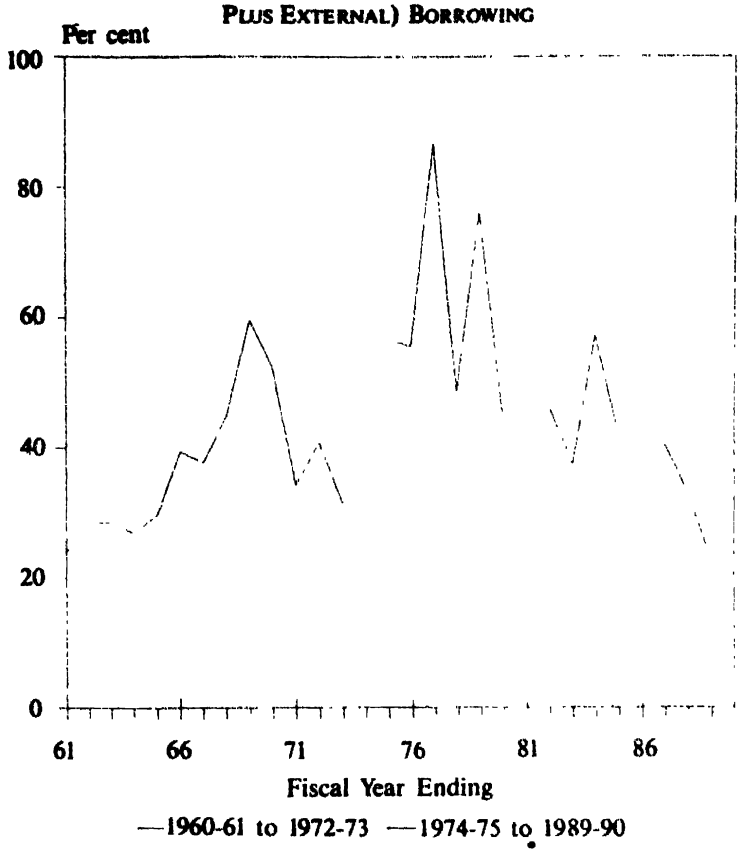
among others, repayments of loans, dividends and (explicit) subsidies. Moreover, since the concept captures all the major financial flows between the government and PSEs in the economy, as recorded in the *National Accounts Statistics*, we considered it appropriate to compare the overall deficit of PSEs with gross fiscal deficit of the government, combined for central, state and union territories.

However, to examine SMP's suggestion, the overall deficit of PSEs is compared with the primary deficit instead of the gross fiscal deficit as done earlier (Figure 1). The widening gap between the two curves clearly suggests that the overall deficit of PSEs does not seem to be the reason for the deteriorating primary deficit. Since the movements of the primary and fiscal deficits [Nagaraj 1993: Figure 1] are quite similar, our finding is not altered by change in the measure of deficit used to capture the fiscal imbalance. In other words, the growing fiscal (or primary) deficit is perhaps not attributable to the overall deficit of PSEs.

SMP says that, "A significant portion of the loans and advances raised by the government... goes to public sector units in the form of equity of the PSEs as well as loans." To examine this proposition, we estimate the share of PSEs (sum of equity, loans and capital grants) in the government's net (domestic plus external) borrowing. Figure 2 suggests that this ratio has come down sharply from around 90 per cent in 1976-77 to about 20 per cent in 1989-90, lowest over the three decades. Hence SMP's argument is evidently not sustainable. This result together with our ealier finding of the declining burden of PSEs' (current and capital) expenditure on the budget [Nagaraj 1993: Figures 2.1 and 2.2] clearly demonstrates that not only has the dependence of PSEs on the budget reduced over the years, the share of government's resources flowing into PSEs has also come down very sharply. Therefore, there seems to be little basis to argue that contributions to PSEs form the principal reason for the government's growing debt burden.

Providing some evidence on the absolute increase in PSEs' 'net incurrence of liabilities' in the 80s, SMP further contends that "...over the years, while the government's liabilities have gone abnormally high in the form of interest burden, the returns from PSEs by way of dividend have been very paltry". It is widely known that the concept of 'return on equity' for PSEs—as is conventionally used to assess private corporate firms—is inadequate to capture their financial performance due to (i) historically evolved capital structures, and (ii) the variations in accounting practices of PSEs. Until recently, the significance of capital structure on PSEs' financial performance was inadequately appreciated. Therefore return on equity is perhaps not a very meaningful measure of PSEs' financial performance.

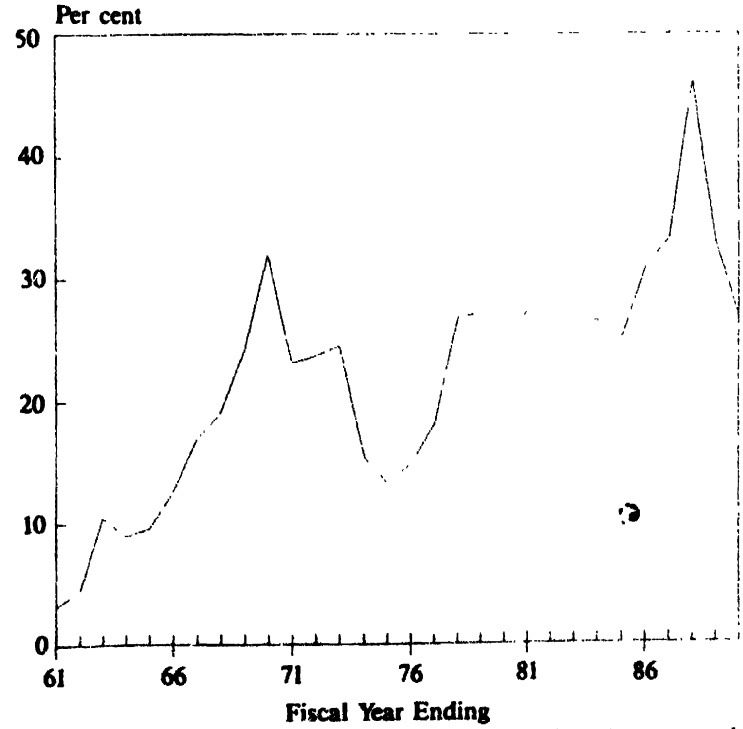
FIGURE 2: SHARE OF PSEs IN GOVERNMENT'S NET (DOMESTIC PLUS EXTERNAL) BORROWING



Note : Observation for 1973-74 is omitted due to discrepancy in the data.

Source: *National Accounts Statistics.*

FIGURE 3: RATIO OF NET PROPERTY INCOME PAID BY PSEs AND NET INCURRENCE OF LIABILITY BY PSEs



Note: Net property income includes interest, dividend, rents and royalties. Liabilities include equity and loans.

Moreover, since *National Accounts Statistics* does not provide adequate break up to arrive at such a measure, we have computed the ratio of 'net property income' paid by PSEs (to government and all other creditors) and the 'net incurrence of liabilities' (that is, equity capital and loans from all sources) by PSEs. This ratio rose from about 3 per cent in 1960-61 to about 46 per cent and went down to 26 per cent in 1989-90 (Figure 3). Ignoring the sharp peaks, for which we have no explanation for the moment, an overall increasing trend in the ratio, especially since the mid-80s, is clearly discernible.[1] Although the measure is rudimentary, it nevertheless suggests PSEs' increasing repayments of their financial dues to the rest of the economy. This, together with the evidence (reported earlier) on the increase in (i) self-financing ratio of PSEs and (ii) their gross profit as a proportion of capital employed over the period 1973-74 and 1989-90, even excluding the contribution of petroleum firms, clearly suggest noticeable improvement in the financial performance, which would perhaps do not get adequately reflected in a single measure of return on equity.[2]

While admitting that "....fiscal crisis is basically on account of the growing expenditure of the administrative departments rather than the poor financial performance of the PSEs...", SMP argues that ".. the poor working results of the PSEs have a larger bearing on the upsurge in the expenditure of administrative departments" This according to him is on account of (i) administrative departments (or simply, government) being captive market for PSEs' products, and (ii) the subsidies provided by government to PSEs.

While the captive sales to government and its subsidies could, undoubtedly, be an important source of revenue for PSEs—and a corresponding loss for the government – one cannot perhaps ignore the substantial costs incurred by PSEs in fulfilling various public policy objectives for which they usually do not receive (explicit) budgetary support Therefore, unless one has quantitative information on all these transactions, they are not amenable to empirical analysis at a macroeconomic level.

Quite contrary to SMP's impression, explicit subsidies, as seen above—and also as stated in 4 of the paper—are included in computing the overall deficit of PSEs. Admittedly, implicit subsidies could not be captured in our exercise. However, since the share of government's subsidies received by PSEs are estimated to form only 16 per cent of the total in 1987-88 [Mundle and Rao 1991], they perhaps cannot account for the growing expenditure and dissaving of the government.[3]

Thus, on a close scrutiny, much of SMP's criticisms of our methodology seem invalid. Although our attempt does not fully capture the complex interrelationship between PSEs and the government in its totality—as, in fact, is admitted in the study—it nevertheless seems to take into account the principal financial flows. Notwithstanding its shortcomings, our effort seems to indicate discernible changes in the macro-economic impact of PSEs over the period of three decades, especially in the 80s, which perhaps warrant a closer examination.

Notes

1 However, it needs to be stated that unless the ratio is greater than one, the debt on account of PSEs will continue to rise. I am grateful to Kirit Parikh for pointing this out for me.

2 The evidence does not constitute an uncritical support of the present state of PSEs in India. There is an urgent need and substantial scope for improving their financial performance, a discussion of which, we believe, is outside the scope of this exercise.

3 We are in fact aware of this possibility and have taken care to qualify our exercise [Nagaraj 1991: 2882, note 19].

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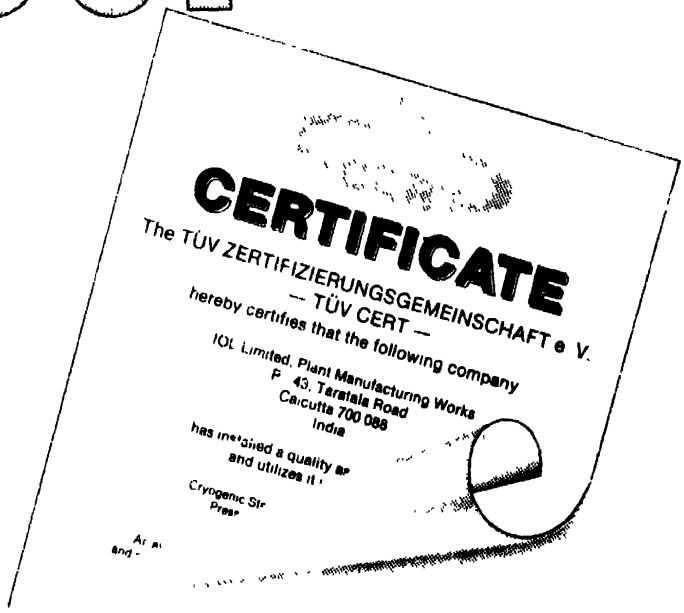
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Famine Mortality

Reconstruction of famine history in the later 19th century calls into question the assumptions on which the government's famine policy was based Relief measures, therefore, could not but come into operation piecemeal Moreover, mortality on the colossal scale recorded in the famine years was not simply the direct result of starvation but the outcome of a far more complex set of conditions than official policy allowed, for What these conditions were and how patterns of famine mortality were determined by them can be demonstrated by the history of Madras 1877 78 compared with Punjab 1896 97 and 1900 01 1169

Rose-tinted Prism

Emanating from linguistic/literary theory and rapidly colonising the social sciences postmodernism has encompassed much of the discourse that permeates among others, the subaltern studies project, new social movements resistance theory and popular culture Postmodernism popular culture and resistance theory have all combined to subvert the famous dictum of Gramsci about the nature of political action instead of pessimism of the spirit and optimism of the will they now license optimism of the spirit and pessimism of the will 1162

Flawed

While the Janakraman committee has laid bare the different aspects of the banking and stock market scams its perception of the political economic environment which facilitated the gigantic fraud is fundamentally flawed 1137

In Crisis

The crisis in sociological research in India has to be located in three institutional structures the universities the UGC and the professional bodies such as the Indian Sociological Society The overarching framework within which the role of each of these bodies may be understood however is provided by the practice of politics 1159

The Aged

With the changing demographic profile of the population the living conditions of the aged their economic social and psychological status and society's response to their problems call for greater attention than in the past A survey of the aged in Maharashtra 1188

In Debt

With aggregate external debt of almost $ 87 billion at the end of September 1992 India is on the verge of slipping into the category of severely indebted low income countries First of a new Special Statistics series 1151

Money and Prices

The monetary authority in India would be wrongly advised that it can be certain of containing inflation solely by effecting a pre announced reduction in money growth rate, leave alone being able to do so costlessly 1185

Against Communalism

The strategy of combining an anti communal appeal with a plea for evolving an alternative pattern of development has led to successful mass mobilisation in southern Maharashtra 1142

Tried and Tested

In Bihar the new reservation policy has further consolidated backward class support for the chief minister 1115

Broken Reed

The Narasimha Rao government its credibility thoroughly eroded cannot provide an effective riposte to the pressures on the developing countries to open up their economies to the good services and capital of the developed countries even as the latter feverishly raise protectionist walls for themselves and set up restrictive trading blocs 1140

New Morality

The fervid debate in the Lok Sabha on the motion of impeachment of justice Ramaswamy laid bare the swift sea change that notions of corruption and moral turpitude are undergoing 1135

Legacy of Apartheid

In South Africa for generations of black Africans hatred and violence have become part of daily existence Not surprisingly, then township violence and the restructuring of post apartheid society in the face of ethnic violence are today among the major issues facing the country 1148

LETTERS TO EDITOR

SSP and World Bank

IF Anil Patel (May 22) has to worry about "what will happen to the SSP oustees, if after the withdrawal of the World Bank, the government of India fails to keep up its promise and to force the states to implement R and R in a fair manner?", with what face and logic does he criticise the EDs of the Bank and ridicule the Morse-Berger report which have serious doubts and express concern about the willingness and capacity of our governments to resettle and rehabilitate all project-affected people of SSP from the three states, even as per the agreed R and R policy?

The discontinuance of the aid for the SSP is not the decision of the government of India, but the decision of the World Bank consequent upon our government's failure to meet by March 31, 1993 the time-bound R and R and environment (benchmark) targets set by the Bank last October for continued assistance. The announcement by the GOI is only a face-saving device jointly agreed upon to save both of them from further embarrassments. If it is true that Bank's continued involvement and monitoring of the R and R has contributed to the improvement of the R and R policy, it is more true that the Bank's decision to jump into the project without full pre-appraisal of all aspects of the SSP before 1985 and without waiting for the GOI's clearance and its incremental policy have led to the present crisis which it could not manage. Even after the Morse-Berger report, the Bank never wanted to withdraw. Instead it made all attempts to salvage and help the governments to fulfil its targets. Ultimately that proved to be impossible and the Bank had no option but to withdraw.

All those who are familiar with the Tribunal's failure to know the full dimensions of the total displacement of the SSP, the early ruthless evictions of people of Vadgam in 1980-81-82, the report of the Supreme Court's commission in Arch Vahini's petition, the reluctance of the Gujarat government to improve its policy, Scudder's reports in 1985 and 1989, the internal correspondence of the Bank about R and R and environment from 1989 onwards, the governments' attempts to flatter and influence the Morse Committee, the massive misinformation campaign, the loyalty of our governments to the World Bank, but not to our own people, and the latest attempts to forcibly remove people are not surprised by the withdrawal of the Bank. Only the governments try to fool the people and only the government's NGOs, suffering from megalomania of their own achievements, are out to support the governments. When the people in the valley have succeeded in asserting their independence and saving national honour by compelling the Bank to withdraw from the destructive development, we can only pity those NGOs who have accepted SSP as a 'reality' right from the beginning and who have tried to drive the poor 'victims of development' to the path of self-eviction and self-destruction. When an outside agency like the World Bank has shown genuine concern for the human rights of the oustees and for environmental protection, our own governments consider this concern as interference in and hindering India's path of development and as humiliation and indignities imposed upon us. It is ironic that NGOs committed to 'total revolution' have become champions of false national dignity and honour, instead of being defenders of our people's rights.

Neither the Morse-Berger report nor "the violent intellectual attack" on the SSP has failed. Rather the legitimacy and credibility sought to be derived for the project from the World Bank's support has been now knocked out. All the tall claims of the governments have been exposed. When the governments' own confidence is shaken, it is strange that some NGOs assert that "SSP cannot be stopped". Instead of maligning the Narmada Bachao Andolan, let Arch Vahini do some introspection to find out how it has been caught in its own trap!

GIRISH PATEL
Lok Adhikar Sangh,
Ahmedabad.

Rural Poverty

THE Eighth Five-Year Plan document has mentioned that "in 1987-88 the rural poverty line in term of per capita monthly expenditure was Rs 131.80" (p 27). The Fourth Quinquennial Survey of Consumer Expenditure: 43rd Round, 1987-88 has shown the following pattern of monthly per capita consumer expenditure (MPCE) in rural India: The table shows that the bottom 46.6 per cent of the rural population had an MPCE of Rs 117.45 and was clearly below the poverty line. Another 9.7 per cent of the population in the MPCE range of Rs 125-140 had MPCE of Rs 132.58 which was higher than the cut-off point of poverty line of Rs 131.80. Assuming that rural 3.4 per cent of the population in the MPCE class of Rs 125-140 had an MPCE of less than Rs 131.8 it can be seen that 50 per cent of the rural population was below poverty line.

Minhas, Jain and Tendulkar (*EPW*, July 6-13, 1991) had questioned the methodology adopted by the Planning Commission which shows a massive reduction of poverty ratio in the rural India to 32.7 in 1987-88. They

MPCE Class (Rs)	Percentage of Persons	MPCE (Rs)
Less than 65	5.1	53.71
65 - 80	7.3	73.25
80 - 95	10.2	87.74
95 -110	12.5	102.56
110-125	11.5	117.45
125-140	9.7	132.58
140-160	10.6	149.30
160-180	7.7	169.67
180-215	9.2	196.36
215-280	8.3	212.77
280-385	4.8	321.32
385 and above	3.1	628.52
All	100.0	100.00

Source: *Sarvekshana*, July-September 1991, p S-65

calculated the rural poverty ratio at 48.69 in 1987-88. The Planning Commission compared the National Sample Survey (NSS) consumer expenditure survey with the National Accounts estimate of aggregate consumption for the nearest financial year and when it found that the NSS estimate was lower than the NAS estimate, it jacked up *pro rata* the NSS size distribution of consumer expenditure and estimated the rural poverty ratio at 32.7.

The Fourth Quinquennial Survey of Consumer Expenditure, 43rd Round, 1987-88 has vindicated Minhas, Jain and Tendulkar

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ECONOMIC AND POLITICAL WEEKLY

The Capitulation

IT is not even that times are a changing, times have changed In earlier seasons, official decisions on basic issues of policy would be announced, preferably in parliament, by ministers who were politically sufficiently weighty Such conventions have obviously been given the go by Or it could be that the ministers are much too ashamed to disgorge unpleasant tidings A civil servant, holding charge in the union ministry of commerce, due to retire by the end of this month, was chosen to inform the nation about the government's intention to accept the norms and standards laid down by the Dunkel draft on trade related intellectual property rights The government, according to this spokesman, has also decided to bow down to the Dunkel demand to extend patent rights up to 20 years The transnational cartels could now breathe freely the New Delhi decision to embrace the Draft all the way would not make an exception of the drugs and pharmaceutical industry either It is a question of faith, as the commerce secretary took pains to explain, the government simply does not believe that drug prices in the country would rise by 500 or 1,000 per cent as a result of the transnational invasion following the acceptance of the Dunkel regime There is, in his view, a lot of 'exaggeration' indulged in by the campaigners who claim that acceptance of the GATT secretary general's proposals would compulsorily subject plant seeds and genes to the tyranny of foreign patenting, India should be able to evolve a *sui generis* system of protection in this area and conserve the rights of indigenous farmers, research workers and scientists The civil servant expatiated at great length on one particular point, this country will have a grace period of 12 years to sort things out, after all, the implementation of the GATT proposals could be held back till 2005 The hint was dropped that confidential talks have already been initiated with representatives of the US trade department, since we have effected total surrender on major issues, minor concessions hopefully were bound to come India's way One of the concessions the government is evidently aiming for is some relaxations in the patent provisions for seeds and plants The commerce secretary used up several hundred words to emphasise the government's eagerness to lobby intensely with the lords and masters in Washington, DC, and other western capitals so that a crucial footnote could be added to the Draft Final Act of the Dunkel text, it would suggest that the act be read in conjunction with Article 5 of the Paris Convention which in certain instances allows compulsory licensing of patents The civil servant sounded jubilant in advance if only such a footnote would be added, foreign parties would not be able to mulct our consumers and farmers at will

As of now, this is of course pious hope. But the government has its own compulsions The decision to give in on Dunkel, the commerce secretary was candid enough to admit, is primarily based on the assumption that it would stimulate the flow of foreign investment to the country Implicit too is the hope that, once we have signed the deed of surrender on TRIPS, the venerable Americans would withdraw the Damocles' sword hanging in the form of threats under Super and Special 301 of their Trade Act. What the secretary has left unsaid for the sake of politeness is that the Indian Patents Act of 1970 would now need to be given a comprehensive burial and that coda of trade imperialism, the Paris Convention which for decades on end Indian patriots had kept at bay would henceforth command total obedience The patents act this country put in the statute book almost a quarter of a century ago was hailed around the world as a piece of model legislation for all poor countries aspiring for self-sustained economic and technological development That legislation would now be officially certified as dead Perhaps the government is not unfeeling, it perhaps would quote, *sotto voce*, some Tudor poetry true we loved her once, but that was in another country, besides, the wench is dead

Yes, a quarter of a century ago India was a different country, and the lady in the imagery, the national goal of self reliance, is now safely dead The authorities therefore feel secure enough to leak the news of its capitulation through the lips of an about-to retire bureaucrat The earlier promise to have the whole range of issues concerning the Dunkel draft debated in parliament before a final decision was taken has, to all indications, been scrapped The government, there is no question, wants to be consistent The finance minister has, in the course of the past two years, accepted each and every provision with respect to trade related investment measures (TRIMS) in the Dunkel draft Why should we therefore cavil at TRIPS? We should rather first sign the deal of surrender and then throw ourselves at the feet of the Americans, begging them to grant us morsels of mercy, such as on the issues of compulsory licensing and exemption of plant patenting

Anything to propitiate the strong and mighty western nations Our delegation to the human rights conference organised by the United Nations is to be led by the finance minister Does he not have the reputation of being Their Man in New Delhi? His presence in Vienna is intended as a signal for the Americans we will agree to whatever you say on human rights, including—maybe with some dissembling necessary for home consumption—on Kashmir, but you must keep your part of the bargain, you must not cut us off funds The unambiguous statement, on the acceptance of the Dunkel draft is another signal in the same direction India will be loyal and order abiding, please, sirs, the rich powers must not choke off the flow of funds to its shores

For those who have been fighting strenuously and for long years for technological self reliance, is the battle all over? Not quite. There is still one weapon left in the armoury of the political parties that have gone on record opposing Dunkel and there is little doubt that they continue to represent the sentiments of a considerable proportion of the electorate These parties could sign a joint declaration to the effect that they do not endorse the official decision to suspend resistance to the Dunkel proposals, once a change in regime takes place in New Delhi following democratic elections, they propose to look into the issues *de novo*, reserving the right for themselves to re negotiate aspects of the proposals the present government might have already agreed to. That might not exactly set the cat among the pigeons, but at least prevent our going naked into the council chamber

PRIORITY SECTOR CREDIT

Lip Service

ADDRESSING the ninth regional consultative committee meeting of nationalised banks for the southern region—held after a gap of seven years!—the union finance minister has been reported as having expressed grave concern over the reduced flow of bank credit to the priority sectors in the last three years and exhorted bankers to provide more credit to these sectors. Lest bankers should misunderstand him, the finance minister was quick to clarify that he was seeking this performance on a voluntary basis, that instead of lending under compulsion from the government, the banking sector should take advantage of the government's new liberalisation policy and extend more credit to agriculture and the small-scale sector to boost productivity in these segments of the economy. However, it passes comprehension why, in the liberalised setup, bankers should soil their hands with more lending to the disadvantaged sectors. It is not merely a question of the bankers' anxiety about their bottom line; it is more a question of the sections and classes which bankers and government functionaries wish to serve. In the initial period of bank nationalisation there was a strong impetus for significant structural changes in banking because there was a political thrust, but this was not sustained and the class biases of banking personnel and the government bureaucracy began to assert themselves, particularly after the mid-1980s when the liberalisation theology gained rapid currency. The achievements of bank nationalisation have been put in reverse gear since then. This is also the period when the presence of foreign banks on the domestic banking scene has expanded noticeably; this is not a mere coincidence.

Priority sector advances are a good example. Banks were expected to achieve a 40 per cent target for priority sector lending by the end of March 1985, which the public sector banks not only achieved but surpassed. Priority sector advances as a percentage of net bank credit reached a peak of 45.7 in June 1988. Many small-sized public sector banks had a tradition of priority sector lending and in their case the ratio even crossed 50 per cent. But the climate underwent a change in the second half of the 1980s when, under the influence of economic liberalisation, banks vied with one another in scouting for the bigger accounts. And if the bigger accounts were not forthcoming, banks did not hesitate to concentrate on treasury operations. As a result there occurred a steady decline in the share of priority sector advances in net bank credit to 42.3 per cent in June 1990 and 40.9 per cent in June 1991. In 1991-92, the year of a radical turnround in economic policies, priority sector ratio fall below the target of 40 per cent, to 39.3 per cent at the end of March 1992. The extent of the decline is better appreciated in incremental terms. During 1990-91, expansion of priority sector advances at Rs 2,532 crore constituted 20.5 per cent of incremental total non-food credit and in 1991-92 the expansion of a similar amount of Rs 2,554 crore constituted 28 per cent. Partial data for 1992-93 (April-July) suggest that the expansion of Rs 1,189 crore in priority sector credit worked out to a mere 14.6 per cent of the expansion in non-food gross bank credit. The decline in priority sector advances is sometimes attributed to the Janata Dal government's discredited loan waiver scheme of 1990-91, but this is only partly true. The erosion of the priority sector's share had begun much before the loan waiver scheme and it has continued unabated thereafter. The foreign banks, which were not affected by the loan waiver scheme, have also reduced their priority sector ratio from 9.8 per cent at the end of March 1990 to 9.5 per cent at the end of March 1991 and 7 per cent at the end of September 1991. This decline should be considered sharp even after taking into account seasonal factors, especially when compared with the target of 12 per cent for the end of March 1990 and 15 per cent for the end of March 1992 set for the foreign banks.

The above data do not tell the entire story of the neglect of the credit requirements for the bulk of the disadvantaged production units in agriculture, small-scale industry and small businesses. The rural credit structure is in total disarray which calls for a significant attitudinal change on the part of the government. The urban orientation of commercial banks is now increasingly becoming blatant. The relaxation of credit norms for large-sized industrial advances, permission for bank lending in favour of share brokers and against the security of gold and company shares, etc, and the government's constant refrain of financial sector reform on the basis of the Narasimham committee's command performance with the focus almost exclusively on the banks' profitability have gone to reinforce the urban and large industry orientation of commercial bank managements. Why, the finance minister has only to find out the proportion of man-hours spent in his own ministry and its departments on external liberalisation, gold imports and other gold policies and such other aspects of stabilisation and structural adjustment compared to that spent on the rural credit structure and bank credit for agriculture, small-scale industry and small borrowers, the sectors which constitute a dominant but neglected component of this poor society.

GOVERNMENT SECURITIES

Callous Lack of Concern

HOW the structural adjustment and stabilisation programme is leading to contradictory economic policies is evident from the government's stance on coupon rates on its securities. On the one hand, the government is under pressure to reduce the fiscal deficit and, on the other, the goal of financial sector liberalisation demands, among other things, the progressive introduction of market-related rates of interest. The result is an increase in coupon rates which makes no sense, looked at from whatever angle.

The government and the Reserve Bank have fixed the coupon rate at 13 per cent on five-year government of India securities. As recently as in the initial two phases of 1991-92, the coupon rate for five-year securities was 10.5 per cent and those for 10-year, 15-year and 20-year securities were 10.75 per cent, 11.25 per cent and 12 per cent, respectively. For floatations done on an auction basis in 1991-92 the maturity periods were slashed to five years and 10 years and the coupon rates on the basis of cut-off yields fixed at 12 per cent and 12.75 per cent, respectively. In the current year the government has resorted to a novel method of converting over Rs 7,000 crore 364-day treasury bills into three-year dated securities at a coupon rate of 12.75 per cent to facilitate roll-over of debt. The government has also issued securities on auction basis with a variety of maturities—five, six, seven, eight and now nine years. Hitherto the coupon rates on these securities ranged from 12 per cent to 12.70 per cent (except for the nine-year securities which are yet to be concluded). Against this background, the drastic enhancement in the coupon rate to 13 per cent for the second tranche of five-year securities raises many questions. First, within a short period of three months or so a chaotic range of coupon rates have been prescribed—12.75 per cent for three-year, 12 per cent for five-year, 12.3 per cent for six-year, 12.6 per cent for seven-year, 12.7 per cent for eight-year and now 13 per cent for five-year securities. It is possible that the market prices of the securities may bring

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about a semblance of rationality in their yield rates, but it will have unequal repercussions on asset values in the balance sheets of banks and other institutions holding these securities.

One is not sure if the RBI and the government realise that they have been taken for a ride by the banks when the latter placed their bids for Rs 1,000 crore issue at the cut-off yield of 13 per cent. This has happened despite the fact that the banking industry currently possesses easy liquidity. The bankers are aware that the government is in a tight position. Apart from the repayment obligations of Rs 8,777 crore in 364-day treasury bills (of which a significant part has been converted into three-year securities), the government has a target of Rs 9,700 crore to fulfil for market borrowings and borrowings through 364-day treasury bills. Earlier attempts at market borrowings have not been successful. It is very likely that the 13 per cent coupon rate has been manipulated by a few banks using their oligopolistic clout and knowing that the government and the RBI do not seem to be overly concerned about the interest burden put on the budget so long as the impression of ongoing financial sector liberalisation can be kept up. If the government were really concerned, there was ample scope, in the existing money market conditions, for attracting subscriptions at lower coupon rates. Apart from the fact that banks are relatively flush with funds due to the reduction in the cash reserve ratio (CRR), government securities are zero-weighted assets for capital adequacy norms and banks with excess export refinance limits with the RBI at 11 per cent interest would obviously take advantage of investment opportunities in government securities at rates higher than 11 per cent. Instead of giving in and thereby generating exaggerated market expectations the government and the RBI should have stuck to lower coupon rates.

That the government and the RBI are unconcerned about the consequences of such irrationally high rates on government securities is confirmed if we consider that, with the likelihood of a further slashing of the CRR, the banks will continue to be flush with funds. Due to the recessionary conditions in industry, the prospects for commercial sector credit are not particularly buoyant. The finance minister has himself admitted that the macro-economic situation calls really for a reduction in interest rates. The current account deficit in the balance of payments has come down; crop prospects are bright; and the inflation rate is claimed to have reached a low level of 6 per cent. According to Manmohan Singh, 'full convertibility' of the rupee has not eaten into foreign exchange reserves and the economy is generally looking up. Against such a background, how do the government and the RBI justify their pushing up coupon rates on government securities to such high levels? With such attractive yields on government securities, banks have little incentive for undertaking lending operations.

The Sukhamoy Chakravarty committee had recommended that the (91-day) treasury bill rate be fixed at the expected short-term inflation rate plus a marginally positive return and the coupon rate on 15-year government securities at the expected long-term inflation rate plus a positive real rate of return of 3 per cent per annum. The discount rate offered on 91-day treasury bills today is about 9.75 per cent and the coupon rate on five-year securities has been fixed at 13 per cent. This would imply an expected short-term inflation rate of 8 to 9 per cent and a long-term inflation rate close to 10 per cent. In fact, with the norm suggested by the Chakravarty committee, the coupon rate on five-year securities should not in any case exceed 11 per cent in 1993-94. There is a strong case for fixing an even lower norm for coupon rates on securities as (a) they are extremely safe and riskless investments; (b) the operational cost for the banks of such bulk investments are negligible; and (c) the average earnings on such investments should be lower than the average earnings on bank advances. (This is particularly important as long-term securities contribute the bulk of the banks' investment holdings.) With the benefits derived by banks from holding government securities in matters relating to capital adequacy, etc, banks would be clearly reluctant to expand their lending operations. Also, considering the opportunity cost involved in parting with government resources in the form of increased interest cost when a large number of socio-economic programmes are crying out for additional funds, increases in coupon rates on government securities should be effected in small doses of 0.25 percentage point. The current practice of allowing increases ranging from 0.50 percentage point to 2 percentage points shows utter insensitivity to sacrificing government resources to enhance rentier incomes in the economy. It is because of this insensitivity that the centre's interest payments have galloped from Rs 32,500 crore in 1992-93 (revised estimate) to Rs 38,000 crore in 1993-94 (budget estimate)—an increase of Rs 5,500 crore in contrast to an increase of Rs 3,607 crore in the centre's budgetary support to the central plan outlay for 1993-94.

ASSAM

Electoral Cleansing

Kamaroopi writes:

YET another controversy is building up in Assam over the 'special revised instructions' (these are no more described as 'guidelines') for revision of electoral rolls recently issued by the Election Commission, directing an intensive revision of electoral rolls in the state with reference to January 1, 1993 as the 'qualifying date' for inclusion. These instructions, issued on May 18, have caused considerable misgivings among many sections of the people, not all of whom can be described 'illegal infiltrants' or even as 'suspected illegal infiltrants', even while being welcomed by those sections passionately committed to ensuring an electoral roll 'cleansed' of all illegal aliens.

In this, the latest phase of the ongoing ding-dong battle between the Election Commission and the state government that began on August 21 last year, when the initial guidelines were issued, the state government appears to have secured the unexpected support of several tribal organisations. The All-Tiwa Students' Union and the Autonomous Lalung District Demand Committee, which are agitating for the constitution of an autonomous district comprising areas claimed to be predominantly inhabited by the Tiwas (formerly Lalungs); several organisations of the Mising people including the All-Mising Students' Union and the All-Rabha Sahitya Sabha have opposed those features of the instructions which, in their view, seek to exclude encroachers in grazing reserves and forest and 'khas' lands from inclusion in the electoral rolls. The United Minorities Front (UMF) too has opposed these directives.

The point of dispute is para 7.4 of the 'special revised instructions' which directs the electoral registration officer to ensure that "the names of encroachers on VGR [village grazing reserve] /PGR [professional grazing reserve] forest lands/ khas lands or any other government lands are not included in the draft rolls".

Almost as soon as the 'special revised instructions' were received, the state government pointed out the almost insuperable difficulties that would arise if these instructions were to be followed, given the fact that for years (if not generations) a very large number of people belonging to every class and community—indigenous tribal and non-tribal people as well as refugees and legal and illegal migrants from erstwhile East Bengal and East Pakistan and, later, Bangladesh (and Nepal)—have settled down in such lands. That the state government has been unable or unwilling to regularise these 'illegal' occupations or evict the 'encroachers' is, for the purposes of enumeration of potential voters, not strictly relevant.

As is the case with almost every official provision, the ban on encroachment into these grazing reserves, forest and khas lands, etc, has several in-built loopholes, though even without these loopholes, such encroachments, always made under political encouragement, could not have been avoided. Two types of grazing reserves came into existence in Assam in the 1920s. According to a state government publication (*Revenue Administration in Assam*, Government of Assam, 1990), "The VGRs are constituted near villages for facility of common farmers

having few cattle heads, while most of the PGRs are located in riverine areas or char areas for bigger herds encroachments on VGRs and PGRs, if any, will be removed. Henceforth, land under VGRs and PGRs will not be further decreased by way of dereservation and allotment, etc, except for public purposes under special circumstances." These (in principle) admirable provisions have in practice been regularly violated at least to the extent that every kind of encroachment into these reserves has been tolerated (if not selectively encouraged on all sides) for decades.

What is surprising is that this, an essentially political and social issue has now got enmeshed in the regulations that are to govern the inclusion of a person's name in the electoral rolls. The lessons of the Assam Accord and, especially, the contretemps that accompanied the very first moves of the AGP government to implement some of its provisions appear to have been lost on all sides.

Clause 10 of the Assam Accord had also said (the choice of tense is deliberate for the Accord has been overtaken by other developments) that the Accord would ensure "all relevant laws for prevention of encroachment of government lands and lands in tribal belts and blocks are strictly enforced and unauthorised encroachers evicted as laid down under such laws". Interestingly, the AGP government whose leaders had ridden to power on the plank of evicting illegal aliens and who, in popular perception, were the biggest encroachers on government lands, began its moves against such illegal encroachments into forest lands where most of the encroachments have been by the state's own indigenous tribal and non-tribal people.

The measures taken by the AGP government to evict encroachments in forest lands led to the alienation of the tribal people—who by definition do not view themselves as encroachers in any part of the state—and the intensification of the then still incipient movements of various tribal organisations for greater autonomy within or total separation from Assam. Indeed, the shift in the strategic objective of the leaders of the 'anti-foreigner' agitation from eviction/deportation of such illegal aliens to securing the deletion of the names of the majority of such illegal aliens from the electoral rolls, and that too for a limited period of 10 years, shows that the leadership fully appreciated the political and demographic compulsions that it would have to face, and the allies it would have to work with, when once it assumed office.

Those parts of the 'special instructions' of the Election Commission which in essence constitute an intervention in such sensitive matters are likely to further exacerbate passions and create more divisions. But then, it is precisely such issues that continue to provoke the strongest passions also among the advocates of a cleansed electoral rolls, however impossible such an objective appears to be in practical terms—something that the leadership of the Assam agitation was shrewd enough to realise when it signed the Assam Accord.

HUMAN RIGHTS

Not in Kashmir Alone

THE UN-sponsored World Human Rights Conference in Vienna seems to have sent South Block and North Block into a tizzy. The usually tongue-tied officials of the ministries of home and external affairs (who in normal circumstances would not part with any information, however innocuous it might be, on the sanctimonious plea of protecting the 'national interest'), have all of a sudden discovered the gift of the gab. In a whirlwind of briefings, they have been busy advising journalists as well as official and non-official delegates to the conference on how to behave as 'patriotic' Indians once they reach Vienna. They are expected to assure the western delegates how good a job India is doing in leading its citizens to the fairyland of 'human rights', and how the fierce demon of Pakistan is getting in the way of this wonderful journey!

A large number of NGO (non-government organisation) representatives from India are attending the Vienna conference, and the government is naturally keen on making them toe the official line on Kashmir and other issues. In one such briefing by the home ministry, the NGOs were warned against falling into the trap of Pakistani propaganda about the atrocities by Indian security forces in Kashmir. The NGOs were asked to counter allegations of atrocities by reiterating that it was Pakistan which had created the Kashmir problem by supplying arms to the secessionist militants there. In his attempt to substantiate this counter charge, the joint secretary in the home ministry who is in charge of Jammu and Kashmir (and 'human rights' to boot) was reported to have told the NGO representatives attending the briefing that Pakistani arms and ammunition seized by Indian security forces from captured militants since 1989 have been so vast as to equip three divisions of the Indian army. If this is true, there are legitimate reasons for cutting down on our arms expenditure. Let Pakistan take care of our arms needs by pumping into Kashmir all the sophisticated weaponry which then falls ready prey to our ever-vigilant security forces. One hopes that the delegates to the Vienna conference do not repeat such official claims, and further jeopardise India's tottering image abroad by making New Delhi a butt of ridicule.

But to turn to more serious matters, the bureaucrats in New Delhi are solely obsessed with the fear of Pakistani allegations about Kashmir in the Vienna conference. They are completely oblivious of other misdeeds of their government which are likely to draw criticism at the international forum. The forcible eviction of villagers from the site of the Sardar Sarovar dam and other dam-building projects (which has been documented by the ILO in a report accusing India of discriminating against tribals, which is to be presented at the Vienna conference), the connivance of the Indian administration and police in the killing of members of the minority communities in the recent communal riots, the abetment of the government in the continuation of social evils like untouchability, child marriage, child labour and discrimination against women, the heinous practice of police torture and killing of suspects in custody—all these issues will be raised by the NGOs, both Indian and foreign, at the conference. Can New Delhi hope to absolve itself of the responsibility of violating the human rights of these citizens by blaming Pakistan?

What needs to be emphasised—and exposed—both at world conferences and public platforms in India, is that the atrocities by the security forces in Kashmir are not isolated responses in an exceptional situation (of a 'proxy war' as made out to be by New Delhi), but a general manifestation of the brutalisation of the state machinery which violates the human rights of ordinary Indian citizens in every part of the country—whether in the Narmada valley, or in police custody, or in the tribal villages of the north-east, or in the slums and homes of the poor in Bombay, Delhi, Bhopal.

Special Statistics

Beginning this week (see pp 1151-1158) *EPW* will carry from time to time a Special Statistics series prepared by the EPW Research Foundation. The series will seek to present, in analytically meaningful form, up-to-date data on different aspects of Indian economy and society and on important international themes.

Monnet Ispat

MONNET ISPAT, promoted by Sandeep Jajodia and Jindal group's flagship company, Jindal Strips, is setting up a project for the manufacture of non-coking coal-based sponge iron with a capacity of one lakh TPA in district Raipur, Madhya Pradesh. The project is sited in a centrally notified backward area in village Kurud, eight kilometres from Raipur, with the advantage of being located in the iron ore and coal producing area and well connected by air, road and rail. Jindal Strips is an existing, listed and highly profitable company and is amongst the leaders in the steel industry in India. Its product range comprises stainless steel, ferro chrome, cold rolled steel, sponge iron, etc. Jajodia, with experience of over six years in manufacturing, international marketing, leasing and finance, etc, has promoted Monnet Ferro Alloys, manufacturing high carbon ferro chrome. Jindal Strips, under the chairmanship of O P Jindal, has developed indigenously the technology to manufacture sponge iron using the non-coking coal route at a substantially lower project cost as compared to other similar projects. It has already set up, using its technology, two modules of one lakh TPA each at Raigarh, Madhya Pradesh, to manufacture sponge iron which are running successfully. It is now setting up further manufacturing facilities to increase the capacity to six lakh TPA. O P Jindal is chairman of Monnet Ispat and Sandeep Jajodia the managing director of the company. Two important features of Monnet Ispat's project are its low project cost, which at Rs 36 crore is amongst the lowest in the industry, and the other is the 100 per cent buyback of its entire production by Jindal Strips for the first five years from 1992. As such the company does not envisage any marketing problem. In this light, leading financial institutions such as the ICICI, the UTI and Credit Capital Venture Fund have participated in the company's equity and NCDs to the extent of Rs 8.20 crore. The project is slated to commence production by August. The company expects to achieve 50 per cent capacity utilisation in the first year of operation and peak capacity of 80 per cent (output of 80,000 tonnes of sponge iron) from the third year. It is to earn cash profit amounting to Rs 3.56 crore and net profit of Rs 0.89 crore during the first year of operations. The company's financial projections, as appraised by the ICICI, are quite impressive. During 1993-94 (nine months), 1994-95 and 1995-96 its turnover is expected to be Rs 17.94 crore, Rs 31.10 crore and Rs 38.28 crore, respectively, and is expected to earn a net profit of Rs 1.14 crore, Rs 4.91 crore and Rs 6.09 crore in that order. However, since commercial production is now slated to commence in August instead of in June as was proposed, the profitability figure for the year will be for a seven-month period. In order to part finance the project, the company is entering the capital market on June 21 with a public issue of 46,00,000 equity shares of Rs 10 each at par aggregating Rs 460 lakh. The company proposes to list its equity shares at Delhi, Bombay, Calcutta and Jaipur stock exchanges.

Ponni Sugars and Chemicals

Ponni Sugars and Chemicals is making a rights-cum-public issue of 14.70 lakh partly convertible debentures of Rs 150 each of which 4.04 lakh debentures are to comprise offer of rights to the shareholders in the proportion of one PCD for every 10 equity shares held and 9.60 lakh debentures public issue. A quantity of 1.07 lakh debentures is reserved for allotment to banks' mutual funds. The public issue opens on June 21 under ICICI and SBI Caps as lead managers. The debentures are being issued in two parts—part A of Rs 60 for conversion into two equity shares of Rs 10 each at a premium of Rs 20 per share six months after allotment, and part B of Rs 90 to be redeemed in the sixth, seventh and eighth years from the date of allotment. The debentures carry 16 per cent interest. The issue follows a proposal by the company to set up a new sugar unit with an installed capacity of 2,500 tonnes cane crushed per day at Bolangir, Orissa. The company, promoted by S Vishwanathan, took over in August 1991, a sick co-operative sugar mill at Bargarh, Orissa, having a capacity of 1,250 tonnes of cane crushed per day, on a contract of management to run a period of 16 years against receipt of royalty fees on a yearly basis. The capacity of the company until 1991-92 also was 1,250 tonnes of cane crushed per day with which it commenced operations in 1984 after it was incorporated in 1982. It was increased, however, to 2,500 tonnes of cane in 1991-92, with a turnover posted of Rs 39.52 crore for the year and a net profit of Rs 1.86 crore. The turnover with 1,250 tonnes capacity for 1989-90 was Rs 35.81 crore and net profit Rs 2.89 crore. The new sugar unit of 2,500 tonnes capacity is appraised by the ICICI to cost Rs 45.50 crore, which amount is being provided with share capital funds of Rs 8.13 crore, PCD issue of Rs 22.05 crore, rupee term loans of Rs 12.50 crore and internal accruals of Rs 2.82 crore. SPB Projects and Consultancy has been appointed the project consultants on payment of Rs 55 lakh fees. Operations are to commence from January next. ICICI has projected for the company a turnover of Rs 50.33 crore for 1993-94, Rs 55.65 crore for 1994-95 and Rs 78.62 crore for 1995-96, with net profit respectively of Rs 1.36 crore, Rs 2.34 crore and Rs 1.85 crore and EPS of Rs 3.37, Rs 2.31 and Rs 1.82. The management of the company expects it to be exceeding these projections. Vishwanathan, the promoter, has two other listed companies to his name—Seshasayee Paper and Boards and High Energy Batteries (India) with their turnover for 1992 amounting respectively to Rs 84 crore and Rs 10.52 crore and net profit to Rs 4.62 crore and Rs 25.90 lakh.

Ravileela Granites

Ravileela Granites proposes to expand the processing capacity of its existing unit at Sampannabolu village, 40 kms from Hyderabad, from 43,158 square metres of granite tiles to 81,600 square metres per annum at a capital outlay of Rs 980 lakh. The company is buying all the major machinery from Breton spa, Italy, for the manufacture of tiles of larger format and slabs with five feet width. It has already obtained quarries on lease from the department of mines and geology, government of Andhra Pradesh, with a total area of 14 acres of rich black and multicolour granite. Besides, it has made an application for quarrying lease in respect of three quarries of multicolour granite. It has entered into an MOU with Northeast Granites, USA, to sell its entire production for the next five years. It has already exported granite tiles and slabs worth $ 2,17,750 to Northeast Granites and to the other US buyers to the tune of $ 92,118. Orders worth $ 6 million are awaiting execution. The company has implemented the first phase of the project covering the complete tile line and trial runs have been successfully completed, while the second phase is expected to be completed by September 1993. To part finance its expansion programme, the company is entering the capital market with a public issue of 63,70,000 equity shares of Rs 10 each for cash at par aggregating Rs 6,37,00,000, out of which 6,40,000 equity shares are earmarked for NRIs. The issue opens on June 21. Nagarjuna Finance, Hyderabad, and Prudential Capital Markets, Calcutta, are the lead managers to the issue.

—JK

Gains of Liberalisation

Jairaj Kapadia

OUTSTANDING performance has become customary for high profile Hindustan Lever, holding its sway in personal products and soaps and detergents and having diversified into chemicals (fluid cracking catalysts and functionalised biopolymers) and agriproducts (fertilisers and seeds). Its directors simply put the results for 1992 as 'satisfactory'. However, these illustrate the meeting of growth and profit targets by all sections of the company's business. Between them, in net sales, processed triglycerides accounted for Rs 121,927 lakh (Rs 105,407 lakh in 1991), chemicals and agriproducts for Rs 23,567 lakh (Rs 21,230 lakh) and exports, personal products and others for Rs 30,209 lakh (Rs 24,124 lakh) in the aggregate figure of Rs 175,703 lakh (Rs 150,761 lakh).

As big turnover and big finance make the company's business, profit as return on sales and as return on investment have shown increases only in decimal points. But as return on equity there is an improvement of two percentage points to 29.55 per cent, while earnings per share has shown a fair increase from 5.73 to 7.03. This is commendable, considering that the exchequer claimed 57 per cent of the year's earnings, over two times the figure of operating expenses of 25 per cent. With a 19 per cent final dividend, the gross dividend is raised again to 42 per cent, after it was reduced in 1991 to 38.50 per cent following a 1:2 bonus issue.

The number one company in soaps and detergents, Hindustan Lever is taking over the one next to it, namely, the Tata Oil Mills. Its absorption will place Hindustan Lever in a better position in the soaps market by offering varied products in a varied price range. Meanwhile, the company is going global, having acquired 80 per cent of the equity of Nepal Lever which is setting up a modern soap, detergent and scourer plant at Hitauda in Nepal. The first stage of the project is expected to be commissioned by the end of 1993. A project is under way at home at Khamgaon in Maharashtra for manufacture of 'Pears' soap for world markets. With loss of opportunities in the erstwhile Soviet Union, the directors observe that the domestic policy framework also turned out to be "unusually export unfriendly" during 1992. Apart from strong inflationary trend in the country, the directors also complain of the rupee's significant appreciation vis a vis European currencies and the replacement of the Exim scrip within a short time with the dual exchange rate mechanism. Nevertheless, the company's exports, including those made by 100 per cent subsidiary, Indexport, recorded an increase from Rs 202 crore in 1991 to Rs 224 crore in 1992 and generated surplus foreign exchange of Rs 82.20 crore, after meeting the requirements of imports, dividends and other expenses incurred in foreign exchange.

Research and development has continued to provide valuable support to the company's business. R and D work in chemicals is concentrated on developing new functional products for industrial use. A natural sunscreen agent has been developed and is undergoing product tests in India and abroad. An FCC additive for increasing LPG and gasoline yield in petroleum cracking has also been developed. A project in collaboration with Unilever for enzymatic modification of guar gum has progressed towards commercialisation. In addition, speciality chemicals are being developed for functional uses by a cross-section of industry comprising soaps, detergents, personal products, food, paper and textiles. With R and D the company is thus broadening

The Week's Companies *(Rs lakh)*

Financial Indicators	Hindustan Lever December 1992	Hindustan Lever December 1991	Polar Industries March 1992	Polar Industries March 1991	Indian Sewing March 1992	Indian Sewing March 1991
Income expenses profits						
Net sales	175703	150761	4195	2108	5996	5197
Excise duty	32984	26841	539	293		
Other income	516	131	93	71	154	195
Increase (decrease) in year end finished stock	6264	1335	102	53	23	117
Raw materials consumed	115669	101715	3199	1692	4056	3540
Power and fuel	741	725	25	10		
Other manufacturing expenses	1843	1528	221	99		
Labour cost	4173	3726	194	82	445	353
Other expenses	24619	23353	498	223	1052	1018
Operating profits	21777	17752	277	136	618	527
Interest charge	3219	2063	69	19	330	264
Gross profits	18558	15689	208	117	288	238
Depreciation	1960	1919	40	16	31	29
Profits before tax	16598	13770	168	101	257	209
Tax provision	6750	5750	14	27	100	59
Profits after tax	9848	8020	155	74	157	150
Dividends	5879	5389	52*	27*	100	100
Liabilities assets						
Paid up capital	13999	13999	350**	248**	400	400
Reserves and surplus	19331	15111	371	202	1023	966
Long term loans	1866	1197	187	85	1124	987
Short term loans	18162	15278	1096	650		
Other liabilities	39598	35483	1603	930	1640	1455
Gross fixed assets	37708	33050	1022	479	529	440
Accumulated depreciation	15433	13696	127	57		
Inventories	48623	41902	937	722	1270	1247
Of which finished goods	23443	15843	651	549	1268	1244
Receivables	8429	8227	1567	993	1428	1273
Loans and advances	9682	7605	165	175	621	522
Cash and bank balances	2718	3158	23	54	233	256
Investments	1224	760	10	14	98	89
Other assets	4	2	8	10	8	1
Total liabilities/assets	92956	81068	3607	2135	4187	3829
Key financial ratios						
Turnover ratio	1.89	1.86	1.16	0.99	1.43	1.34
Return on sales (%)	10.56	10.41	4.96	5.55	4.80	4.64
Return on investment (%)	19.96	19.35	5.77	5.48	6.68	6.22
Return on equity (%)	29.55	27.55	21.50	16.44	11.03	10.98
Earning per share	7.03	5.73	5.16	3.32	3.93	3.76
Dividend (%)	42	38.50	16	10	25	25
Book value per share (Rs)	23.81	20.79	22.39	19.09	35.66	34.15
Current market price	371.25		24		67.50	
P/E ratio	52.81		4.63		17.18	

* Includes preference dividend Rs 4,14,071 (1991-92 Rs 3,50,000) **Includes preference share capital Rs 50 lakh (1991-92 Rs 25 lakh).

Figure in Indian Sewing taken from Abridged Report published. Thus under Raw Materials consumed the figure covers manufacturing expenses of which Rs 3,995 lakh (Rs 3,493 lakh in the previous year) towards purchases made under loans it covers aggregate of loan funds under Gross Fixed Assets it refers actually to net block (cost less accumulated depreciation which is not shown separately) plus capital work in progress and likewise in Net Sales the figure covers gross sales turnover including services.

the base of its operations. At the same time, it is diversifying. A leather garments factory has commenced production at Madras while a project to process 'wool-on-leather', in collaboration with Sawyer of Napa, California, is at an advanced stage of implementation near Neyveli in Tamil Nadu. A fish paste ('Surimi') project to upgrade hitherto wasted fishery resources is under way at a cost of Rs 15 crore at Veraval, Gujarat, in collaboration with Shinto Corporation, a subsidiary of Toya Suisan, Japan, with 100 per cent buy-back of the product by the collaborators. The plant is expected to be commissioned in 1994.

Following the success of the pilot project to produce channel catfish in India, the company is now setting up a large-scale acquaculture centre at Thanjavur in Tamil Nadu for farming and processing catfish for the US markets in technical collaboration with FFDA, Florida, which has also provided a full buy-back arrangement. A 30,000 tonnes soaps packing plant by way of revival of the sick company, Sivalik Cellulose has been completed and is expected to reach targeted levels of capacity utilisation in 1993. The 10,000 tonnes per annum cosmetics and toiletries plant at Yavatmal, Maharashtra, has gone into commercial production.

POLAR INDUSTRIES

Rise in Exports

With Polar Industries was merged Polar Electrotech with effect from April 1, 1991. The financial results of Polar Industries for the year ended March 31, 1992 present the combined position of the two companies. That the merger was welcome is seen in Polar Industries raising equity dividend for the year 1991-92 to 16 per cent from 10 per cent for the previous year, notwithstanding the increased equity from Rs 223 lakh to Rs 300 lakh as a result of the issue of 7,70,143 equity shares of Rs 10 each to shareholders of the erstwhile Polar Electrotech.

The company also increased the perference share capital to Rs 50 lakh with the issue of 25,000 additional shares of Rs 100 each to be redeemed from January 24, 1999 to January 24, 2002. The rate of interest on the preference shares is 14 per cent per annum. The preference dividend also has amounted more in the aggregate. The total provision for dividend has almost doubled from Rs 27 lakh to Rs 52 lakh, with the pay-out of equity dividend increasing from Rs 19.05 lakh to Rs 47.97 lakh.

Profit after tax has recorded over cent per cent rise from Rs 74 lakh to Rs 155 lakh as exports, at the same time, have improved from the previous year's figure of Rs 48.51 lakh to Rs 120.71 lakh. A further improvement is foreseen in exports as Polar fans have found wide acceptance in Gulf and European countries. To exploit these markets the company is adding a new range of fans with attractive colours, designs and styles.

Meanwhile, production has been stabilised at the pressing (called lamination earlier) division while the operations are being expanded to cover pressing of sheet metal in order to meet the requirements of the company. A new project for manufacture of die casting and sheet metal components is under way at a cost of Rs 5 crore to meet which a rights issue of equity shares in the proportion of one-for-one at a premium of Rs 8 per share is proposed by the company.

INDIAN SEWING

Record Growth in Sales

The Singer company, Indian Sewing Machine, has achieved during the year to March 1992, a 17 per cent growth in sales and a 23 per cent improvement in profit before tax, while it has maintained dividend at 25 per cent. Sales growth reflects the advantages of zig zag sewing machines compared to straight stitch sewing machines as well as the growth of the market for home appliances. Between them, zig zag range of sewing machines and home appliances recorded growth of 41 per cent and 69 per cent, while the market for straight sewing machines showed a decline. With added features introduced, zig zag machines contributed 22 per cent to the total turnover, while in the appliances segment the company successfully added steam irons and rice cookers to the existing range. Exports through a wholly owned subsidiary, Himec India, amounted to Rs 129.35 lakh earning a profit of Rs 23.67 lakh.

Hire purchase business, an important activity for the company, is done by another subsidiary, Ismaco Engineering and Finance, which during the year disbursed Rs 547 lakh to finance individual hire purchase transactions of sewing machines and domestic appliances as compared to Rs 451 lakh in the previous year. As the dealer financing scheme was discontinued, the total of hire purchase disbursements declined from Rs 1,102 lakh in 1990-91 to Rs 641 lakh in 1991-92. The company has absorbed Mahavir Founders and Engineers having invested Rs 7 lakh in 50,000 equity shares of it. The company owns a foundry at Jammu which is the captive source of castings used by India sewing's Jammu factory.

The company augmented working capital resources with an issue of 14 per cent non-convertible debentures amounting to Rs 100 lakh which it privately placed with PNB Mutual Fund. The debentures will be redeemed seven years later at 5 per cent premium. The company is actively formulating a strategy for expansion under the liberalised government policies, feeling assured of the future outlook. Meanwhile, it is expanding the zig zag range of its sewing machines and even considering setting up a new project with Singer's technological support. It expects also to be making further progress in consumer products.

COLOUR-CHEM

Higher Earnings

Gross sales of Colour-Chem for the year ended March 31, 1993, have shown improvement to Rs 181.31 crore compared to Rs 155.58 crore for 1991-92. So also have net sales to Rs 157.20 crore from Rs 133.72 crore and gross profit to Rs 16.94 crore from Rs 11.88 crore. After provision of Rs 4.69 crore (Rs 3.56 crore for the previous year) for depreciation and of Rs 12.25 crore (Rs 8.32 crore) for taxation, net profit has improved to Rs 8.60 crore from Rs 5.32 crore in the previous year. The unaudited financial results for the six months ended March 31, 1993 show an increase over the previous corresponding period in net sales from Rs 69.20 crore to Rs 82.58 crore, in gross profit from Rs 6.98 crore to Rs 9.60 crore and in net profit from Rs 3.26 crore to Rs 4.66 crore. Earnings per share (annualised) on paid-up equity share capital of Rs 9.63 crore (Rs 7.94 crore) has amounted to Rs 102 compared to Rs 67 previously.

VANAVIL DYES AND CHEMICALS

Larger Trading Sales

Vanavil Dyes and Chemicals has reported for the year ended March 31, 1993 net sales of Rs 2,205.21 lakh against Rs 1,964.78 lakh for the previous year, gross profit of Rs 131.97 lakh (Rs 147.12 lakh) and net profit of Rs 70.87 lakh (Rs 81.47 lakh). The company's manufacturing operations and profits suffered a setback due to a prolonged strike extending to 107 days. However, an increase in the trading sales contributed to higher turnover. The directors have recommended a dividend of 15 per cent, the same as in the previous year. The board has also transferred a sum of Rs 25 lakh to the general reserve (previous year Rs 25 lakh) and a sum of Rs 20 lakh to the reserve for environmental upgradation (Rs 30 lakh).

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 22-5-93	Variation (per cent) Over Last Month	Over Last Year	Over March 27, 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	235.8	0.7	6.1	1.2	9.8	13.7	10.3	7.5
Primary Articles	32.3	235.4	0.6	2.4	1.4	7.3	18.1	13.0	2.2
Food Articles	17.4	275.4	1.1	4.0	2.6	12.3	20.2	11.8	1.2
Non-food Articles	10.1	222.7	−0.3	−0.8	−0.8	−0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	246.0	—	14.9	—	14.1	13.2	12.3	3.6
Manufactured Products	57.0	234.1	0.9	6.7	1.3	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
Industrial Workers	1982 = 100	245[4]	0.8	6.1	0.8	9.9	13.5	11.2	6.5
Urban Non-Manual Employees	1984-85 = 100	205[2]	—	7.3	6.8	NA	13.5	11.0	6.9
Agricultural Labourers	July 60 to June 61 = 100	1,053[3]	−0.5	0.7	0.7	12.3	19.3	7.5	3.2

Money and Banking	Unit	Latest Fortnight (14-5-93)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,80,332	3,610 (1.0)	50,717 (15.4)	17,968 (5.0)	46,316 (14 7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,86,831	4,602	20,352	10,657	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,879	−245	24,689	4,820	74,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	24,670	478	6,727	1,334	6,155	10,098	1,915	−149
Deposits of Scheduled Commercial Banks	Rs crore	2,75,511	516 (0.2)	39,246 (16.6)	8,364 (3.1)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,56,330	−263 (−0.2)	23,057 (17.3)	5,276 (3.5)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 28-5-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	20,571	−1,419	6,360	375	5,385	10,223	−1,383	−795
	US $ mn	6,586	−441	1,066	119	746	3,383	−1,137	−854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Oct 92)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	208.3	204.7 (3.0)	198.7 (−0.9)	0.1	8.5	8.6	8.7	7.3
Mining and Quarrying	11.5	215 4	207.7 (3.5)	200.6 (−1.0)	0.8	4.9	6.3	7.9	3.8
Manufacturing	77.1	196.8	195.0 (2.2)	190.8 (2.4)	-1.4	9.1	8.6	8.7	7.9
Electricity	11.4	278.4	261.7 (4.5)	250 5 (7.9)	8.3	8.7	10.8	9.5	.7.7
Basic Industries	39.4	. .	. .	. .	. .	3.8	5.4	9.9	5.6
Capital Goods Industries	16.4	. .	. .	. .	. .	17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5	. .	. .	. .	. .	6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6	. .	. .	. .	. .	10.4	6.3	4.2	6.5
Durable Goods	2.6	. .	. .	. .	. .	14.8	1.7	12.0	7.8
Non-Durable Goods	21.0	. .	. .	. .	. .	9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (Feb 93)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989-90	1988-89	1987-88
Export	Rs crore	5,312	47,234	38,930	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,096	57,302	42,917	47,813 (10 7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	216	−10,068	3,987	−3,835	−10,640	−7,735	−8,003	−6,570

Employment Exchange Statistics	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	537	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore	. .	. .	3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (−1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. . . Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

Calcutta Diary

AM

These are obviously revolutionary times. Connotations of corruption and moral turpitude are undergoing a swift sea-change. The fervid debate in the Lok Sabha on the motion of impeachment of the judge adorning the nation's highest judiciary, who has given a new interpretation to the concept of carpet-bagging, bears this out.

THE income tax payable by its ministers, the Punjab government has decided, will henceforth be borne by the state. Taxation laws being what they are, this extra bit added to a minister's income, for the purpose of saving him from the pain and rigour of paying tax, will raise the gross income on which tax is payable, and is likely to entail payment of extra tax. The state authorities may however very well issue a further notification to the effect that the additional tax liability arising out of the official decision will also be covered by the government. The gross taxable income will consequently increase once more, perhaps inducing the government to make a yet further announcement fully compensating the ministers for the additional tax burden at the second stage. This could start off an infinite series of accretions to ministerial earnings, with each compensatory gesture on the part of the government attracting additional tax liability, immediately followed by further upward adjustment in the gross income of ministers, followed by further rise in tax liability, and the cows will never come home. Zero as well as infinity were the particular forte of Indian mathematicians of yore, who would churn out formulae involving the behaviour of such numbers. This passion for the theory of numbers had appeared to be dying out, until in the opening decades of the twentieth century, that weird genius from Kumbhakonam, Ramanujan, chose to make fresh contributions of a most enriching order. Punjab consists of doers, and the government of that state, through its treatment of ministerial taxes, has ventured into a significant practical demonstration of mathematical truths involving an infinite series. It has, in the process, also revolutionised a fiscal principle. According to conventional notion, a tax on income reduces the take-home pay; the authorities in Punjab have challenged that arcane doctrine; a tax on income, it has ordained, must enhance a minister's gross income and at the same time ensure the immutability of his take-home pay; the higher the burden of taxation, the larger will be the gross income even while it keeps unchanged the take-home pay.

These are obviously revolutionary times. The revolution proceeds apace in other spheres as well. Connotations of corruption and moral turpitude are, for instance, undergoing a swift sea-change. The fervid debate in the Lok Sabha on the motion of impeachment of the judge adorning the nation's highest judiciary, who has given a new interpretation to the concept of carpet-bagging, bears this out. His peers might have found him guilty of the charges of financial waywardness posted against him, parliament however occupies a superior judgmental level. Crime, the Lok Sabha has decided by its vote, is not-crime. A is not-A, which is, in ordinary circumstances, absurd, but not in a revolutionary situation such as we are currently in. Already PhD theses are being hurriedly assembled on the social philosophy of the crooks who wheedled money out of the banks on the security of false bankers' receipts and, Bukharinites all, used that money to enrich themselves in the stock exchanges. Nothing could be more exciting or more revolutionary. The natives of this land have not only a way with the mathematics of numbers, they have a way with words too. They have, with more than a straight face, described the worst manifestations of capitalist aggrandisement as pristine socialism. That too is a revolutionary idea. Journalists not quite out of their teens have satisfied themselves that the former member of the Planning Commission, who used his official position to plan the acceptance of commissions from foreign parties for favours rendered and deposited such commissions in numbered Swiss accounts, is actually a saint and a visionary of the first water; at the same time, that abominable nineteenth century pest, Karl Marx, was an imposter deserving of retrospective beheading one hundred and seventy-five years after his birth and one hundred ten years after his death.

These revolutionary developments have little to do with the collapse of the Soviet system in eastern Europe or the gradual flowering of liberalisation in this subcontinental country. There is of course an indirect nexus, since either phenomenon illustrates the triumph, in the domain of international relations, of the moral mindset attaching to the concept of the free market. The Americans have been unduly modest in not claiming their due share of credit for this great victory, and have been chastised on this score by such savants as John La Carre. A spin-off of the coming of age of the ethos of the free market, embodying the message that scruples be hanged and profit-making by hook or crook is the only consideration, is the emergence of a new philosophical perception: the policy of non-principle is the best policy. In the Indian ambience, we are at present witnessing interesting applications of this magnificent maxim. For example, the fundamentalists who went on the rampage at Ayodhya are arguing with telling effect that they could hardly be held responsible for the demolition of the Babri mosque; the reasons: (a) since the mosque was a non-mosque, its demolition too was an act of non-demolition, that was that; and (b) even assuming, for argument's sake, that the mosque was not a non-mosque, it was the business of the government in New Delhi to prevent them, the Decemberists, from demolishing it; because the authorities did no such thing, and on that famous December afternoon the prime minister preferred to have his usual siesta instead, that was, once again, that.

Or consider the case of the gentleman, a restless soul if ever there was one, who, four years ago, was determined to be the nation's prime minister, never mind the logic of numbers or the encumbrance of the political philosophy he was, till that time, wont to flaunt. He had barely thirty followers in the Lok Sabha in a house of five hundred and forty-two; he was however prepared to sup with the devil if that would lead to the fulfilment of his dream. It did; the policy of the non-principle was adjudged to be the best policy, and he became prime minister for four months. He paid a what-might-appear-to-others a heavy price for the transient enjoyment of the most coveted prize this nation can offer. His shenanigans can in a sense be held responsible for the transition of the polity to a milieu which rendered possible the ushering in of the World Bank-IMF epoch in Indian history. Even were one to brush that aside—on the plea that accidents of history are accidents of history—the supposedly minor gifts he was compelled to offer to the party which shored him up for those four months are worth writing home about. He, for instance, concurred

in the dismissal of the Dravida Munnetra Kazhagam government in Tamil Nadu on the flimsiest pretext. He gave in to pressures mounted on him in regard to appointments to three key posts: those of the Governor of the Reserve Bank of India, the Attorney-General of India, and, glory of glories, the Election Commissioner of India. The persons respectively named by him as RBI Governor and Attorney-General in no time found themselves sucked into the maelstrom of The Scam. The individual named as Election Commissioner, even a child knows by now, has discovered in himself the attributes of divinity; he was, he continues to assume, present at the creation of India's parliamentary democracy, he is equally determined to be present at its destruction. The prime-minister-for-four-months who was persuaded—if it pleases you, cajoled—into appointing this individual now regrets his decision. That does not necessarily mean that the gentleman who was the nation's most important person for four months is in a contrite mood. Nothing of the sort. He has not reined in his ambitions, nor would he contemptuously spurn offers to make him prime minister again for another stint of four months, or four weeks, or four days. His following in the Lok Sabha has meanwhile dwindled to just one, meaning that of himself alone. This minor aspect of reality does not cramp his style. He is back to spouting moral principles. It is India, circa the miserable final decade of the withering twentieth century.

Another of the past prime ministers, who unfortunately met a gory end, could hog one hundred per cent credit for the economic quagmire the country is currently in. A is nonetheless not-A. The economic debacle, through the courtesy of the media and testimonials from every foreign Tom, Dick or Harry, has been re-discovered as the miracle. It is an inspiring spectacle of collective auto-suggestion: prices are rising, but the housewife must agree that prices are falling; industry is in doldrums, but captains of industry must reconcile themselves to the illusion that they never had it so good; workers are being retrenched in their thousands, but they must feel proud and admit that the exit policy is really a policy for national renewal. And one must be careful not to raise unpatriotic questions on the state of agriculture, which has reverted to the state of being the unilinear, exclusive function of the weather. Here too, revolutionary forces are at work. At great cost to the nation, including the shelling out of precious foreign exchange, state-of-the-art hardware was imported for raising the level of precision in weather forecasting techniques so that our farmers could be its major beneficiaries. It has however now been decided that, for reasons of state, the contents of such forecasts should be withheld from the people, including, it goes without saying, the farming community. Knowledge is harmful to the security of the nation, including such knowledge that A is not-A.

We can usefully get back to the Lok Sabha debate which decided on the non-impeachability of the judge whom his peers had adjudged to be a purloiner of public property and a defalcator of public funds. He could not be impeached because the ruling party found the whole idea disgusting beyond words. The decision not to support the resolution proposing impeachment was reached by the party on impeccable moral grounds. Was not the judge named to the Supreme Court by the great prime minister instrumental for initiating the process which has ensured the nation's arrival to the present state of economic arcadia? Was not the very same great prime minister against this impeachment proposal when it was first mooted, would it not therefore be equivalent to committing lese-majeste of his memory to support it now? Besides the judge being pilloried hailed from Tamil Nadu; will it be ethical to impeach a judge from Tamil Nadu while not impeaching judges hailing from other states? Will that not infringe Article 14 of the Constitution, and moreover give a handle to the forces of national disintegration? A minister—one presiding over the ministry of legal affairs, no less—raised the debate to an even higher moral level: if the honourable judge was guilty of moral turpitude, why they, the ministers themselves, were no less guilty, for they too, each one of them, used public resources for private purposes. After such confession, what non-forgiveness? Since he and his colleagues were not being called to account for their malfeasance, what moral right had parliament to impeach the judge? Finally there was that innocent-eyed honourable member belonging to the ruling party who failed to see what the brouhaha was about; the judge stole money from a state government, not from the till of the union government, so why should they bother in the nation's capital? It was left to the official spokesman of the party to make the clincher of an authoritative pronouncement. Members of the ruling party were asked not to vote in support of the resolution for impeachment because, according to the party, the judge was guilty of a relatively unimportant misconduct like fiddling of accounts; in other words, it would have been a different matter if he had murdered an advocate or a brother judge or raped an advocate's or a brother judge's wife; he had done no such thing: since he had only pocketed money he had no business to pocket, he remains very much an honourable man. The party, after all, had to take a moral stand: what will happen to this great nation if a judge were to be hanged merely because he was a thief; India is a country where the rule of law is firmly established; medieval excesses are not permissible here.

Moral principles were married with shrewdness in the ruling party's decision to turn the motion for impeachment down by abstaining from voting. There was here some truly fast thinking on the part of the party leadership. On the eve of the debate, it was announced with much fanfare that, on this grave issue involving moral stakes, it would be hardly proper for the party to issue any whip, members of the Lok Sabha belonging to the party could vote according to the dictates of their conscience. The trend of the debate made it obvious though that the overwhelming majority of the MPs, given their firmly held belief in the moral principle of A being not-A, would vote against the motion of impeachment. The party leaders, including the prime minister, had hurried second thoughts. No doubt the party and its leaders are confirmed votaries of turpitude, whether financial or moral. But the social awareness of the electorate lags behind; it might fail to appreciate the lofty ethical reasons on the basis of which the party approved of the judge's thievery. A misunderstanding of this nature deserved to be avoided. The courage of conviction was accordingly a non-starter, and the ruling party just stopped short of endorsing, in toto, the doctrine that the more crooked you are, the higher is the social and political status you could claim for yourself in this revolutionary society.

Such occasional mishaps do occur in revolutionary times. Where thought and ideology are concerned, the leaders are often ahead of their followers. Which is why they are known as the vanguards of the revolution. A revolution is not a cocktail party; it involves occasional switching and re-switching of decisions and measures, otherwise known as the two-steps-forward-one-step-backward drill. The abstention on the motion for the judge's impeachment was the unfortunate one-step-backward part. But we shall overcome one day.

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The Trees Minus the Forest

Janakiraman Reports on Banking Scam

By a Special Correspondent

The six reports of the Janakiraman committee have painstakingly unravelled the details of the banking stock market scam involving banks and other financial institutions, stock brokers and public sector undertakings. What they have failed to do is to shed light on the contribution of the overall policies and attitudes of the government and the country's central bank to the perpetration of fraud on such a massive scale.

THE committee constituted by the Reserve Bank of India (RBI) under the chairmanship of R Janakiraman to enquire into the massive financial scandal in banks and financial institutions has rung the curtain down on its labours after releasing two further reports simultaneously. The fifth report has presented the committee's findings in respect of 10 more banks and financial institutions which had not been covered in the earlier four reports as also fresh findings in respect of some already covered. Apart from giving an overview of the irregularities the sixth and final report goes beyond the micro details and presents an assessment of the key elements in the perpetration of the fraud: the nature of the nexus between banks and brokers and amongst banks; an explanation of why the irregularities were not detected earlier; an assessment of what the committee itself had been able to achieve and what it could not; and a set of recommendations, some of which had been put forth in the first report but also some fresh ones.

Overall, it can be said that the six reports of the Janakiraman committee represent a fairly thorough professional piece of work. The vast number of banks and institutions covered and the massive number of transactions probed into in the short span of about a year, indeed called for painstaking work, meticulously establishing the links between different legs of the transactions involving banks and brokers. The reports provide useful insights into how a fossilised system can be exploited by crooks with impunity and also interesting lessons for all concerned—the RBI's proposed supervisory set up, the accountancy profession, the internal auditors of banks and financial institutions and, above all, the managements of banks and financial institutions. The reports may have disappointed those who expected earth-shaking revelations regarding the funds siphoned off abroad, individual culpability among banks and institutions and the nexus between them and politicians. Objectively speaking, the committee as it was constituted was not capable of probing these broader aspects of the fraud. Instead it has done what was expected of it which was to dissect the *modus operandi* of the transactions, the various nexuses involved in them, and the motivations behind them. Obviously, it is the Joint Parliamentary Committee (JPC) which has to probe the banker-broker-politician connections. Similarly it is for the investigative agencies, who have the power to summon and question individuals to go into the question of individual culpability. The detection of individual guilt in fraudulent practices which have gone on for so long and on such a massive scale in such a large number of institutions is a very complex task. To quote the Janakiraman committee report, it "is an endless task." Unless a thorough investigation of specific transactions is undertaken and responsibility is fixed in regard to the execution of a given piece of malfeasance, it would be improper to pass judgment on any individual's involvement. Every dealing in every bank will have to be examined separately and responsibility apportioned at every level of the hierarchy. Again, the nature and extent of involvement would be different at different levels of the hierarchy in a bank or financial institution. More often than not, the role of the top executives who mastermind the shoddy dealings may not show up on the surface and hence the Janakiraman committee has rightly recommended that the managements of individual banks (and the RBI in the case of the banks' top managements) handle the question of individual culpability. If the government itself does not show sincerity in punishing the guilty, the RBI, the managements of individual banks and even the intelligence agencies who wield enormous powers of enquiry and prosecution, can do very little. The JPC should demand periodic reports on the progress of enquiries into individual culpability and on punishment of those found guilty, including those within the top managements of banks.

The Role Leaders

No doubt 34 out of the 180 banks and financial institutions have been involved in the irregularities, but it should be emphasised that, both in regard to the initial motivating force in the mid 1980s and the subsequent momentum acquired during 1991-92 due to the so-called economic liberalisation the guilt is concentrated in a few banks and institutions. The whole process was led by four foreign banks under Citibank's leadership (the other three being Standchart Bank of America and ANZ Grindlays). This was followed by Canara Bank and its subsidiaries. Anyone familiar with the banking scene will recall how the foreign banks led by Citibank and the then chairman of Canara Bank, the late B Ramakar, had during the mid 1980s, when the first phase of liberalisation was foisted on the country by Rajiv Gandhi, created the impression that they were close to the powers that be and that they were the trend setters in the process of financial innovation which had the blessings of the government, even if it meant breaking the rules of the game. As the Janakiraman committee has emphasised, the irregularities have largely arisen out of attempts to circumvent RBI guidelines. The above mentioned few banks and institutions pushed ahead with their irregular activities in two forms, namely the portfolio management scheme (PMS) with assured rates of return and for durations of less than one year contrary to RBI guidelines, and the financing of brokers through illegal ready forward and double ready forward deals, through money market operations and discounting of fictitious bills. Such activities became so blatant and widespread that they almost emerged as 'market practices' and hence some other institutions also joined the fray. But a few continued to dominate the scene: Canfina and the three foreign banks (Standchart, Hongkong and Citibank) accounted for Rs 32,255 crore (or 83.4 per cent) of the

total funds under PMS and similar schemes (Rs 38,675 crore) during the period of a year and a half from January 1991 to June 1992. Likewise, in the various transactions relating to government securities, PSU bonds, Units of UTI and others primarily used to finance brokers or those booked through brokers which aggregated a mind-boggling amount of Rs 1,285,549 crore during the 14-month period (April 1991 to May 23, 1992), the top four banks involved were foreign banks (Citibank, Stanchart, Bank of America, and ANZ) which accounted for 51.1 per cent of the total transactions. The fifth position was occupied by Canbank Financial Services (accounting for 7 per cent) and the sixth position again was held by a foreign bank (American Express). Yet another important institution involved in PMS transactions was Andhra Bank Financial Services. It is interesting that the key personnel in this institution as also in some of the foreign banks had been drawn from the Canara Bank family.

It is significant that the main source of funds for the irregular transactions were PSU bonds. It is reported that the aggregate acquisition cost of PSU bonds held by the banks as part of their own portfolios and in PMS and other schemes was Rs 10,681 crore, 56.4 per cent of a total outstanding amount of Rs 20,550 crore as on March 31, 1992.

A statistical analysis of the transactions in securities in banks brings out the extent to which the system had degenerated. Of the astronomical figure of transactions of a face value of Rs 1,285,549 crore (two times the country's GDP, and 5.5 times the size of bank deposits), only Rs 69,192 crore (or 5.4 per cent) was for outright or such other similar sales or purchases; the others were ready-forward or double ready-forward or other transactions. Secondly, of the total amount, government securities constituted Rs 607,627 crore (47.3 per cent), while PSU bonds Rs 494,415 crore (38.5 per cent). With 35,352 transactions in PSU bonds, the amount of Rs 10,681 crore held by banks has been roughly turned over 46 times in the short period of a year and a half Thirdly, the large indulgences have not been entirely due to the PMS clients. Own-account transactions aggregated Rs 865,449 crore (67.3 per cent) while transactions relating to PMS clients worked out to Rs 340,303 crore (26.5 per cent) with another Rs 79,797 crore (6.2 per cent) attributed to transactions on behalf of others including brokers. Fourthly, broker-wise analysis of the transactions reveals that the bulk of what are shown as direct transactions also pertain to transactions with 'routing' banks where the counter-parties were in fact brokers. The transactions essentially involved brokers. Assuming that transactions for Rs 1,000,000 crore out of Rs 1,285,549 crore were undertaken through brokers and if brokers earned a net profit of just 0.5 per cent out of the total amount of these transactions, an amount of Rs 5,000 crore would have been generated as profits for the broker community during less than 14 months between April 1, 1991 and May 23, 1992. The committee has identified as many as 24 major brokers who have shared this booty. Three top brokers, namely, Hiten Dalal, Harshad Mehta and Bhupen Champaklal Devidas have accounted for 31.3 per cent of the transactions booked through brokers.

Banker-Broker Nexus

The Janakiraman committee has identified seven types of irregularities committed by banks in the operation of the PMS system: indicating assured rates of return; providing of the funds collected under the PMS and other schemes to brokers under ready-forward transactions; failure to ensure that the PMS funds were in fact invested in areas in which the clients were legally permitted to invest; attempts to siphon off the excess earnings on PMS funds through artificial rates shown on books so that the actual earnings remained close to the indicated rates; the crediting of lower yield rates on PMS accounts than those credited to banks' own accounts whenever composite sales were made; failure to provide full details of PMS accounts to banks' clients; and finally, fictitious transactions of loaning customers' Unit holdings to the bank concerned and siphoning off the income in the PMS account to the credit of the bank. The total amount of funds so generated on PMS account on Units by Citibank was Rs 411.21 crore. Interestingly, in all these irregularities the Citibank has been singled out for mention by the Janakiraman committee.

The banks and institutions involved in the PMS irregularities are five foreign banks (Stanchart, Citi, ANZ and Bank of America), Canfina, Andhra Bank Financial Services, Syndicate Bank and Vijaya Bank. The beneficiaries were all brokers. The PMS funds as also large amounts of their own funds were lent to brokers in the form of ready-forward transactions. As ready-forward transactions could be entered into only with banks and only in respect of government securities, transactions were recorded as though made with certain counter-party banks, but their actual beneficiaries were brokers. To accomplish this, certain banks acted as 'routing' banks for brokers. The 'routing' banks in turn purchased and sold securities in their own names without indicating that they were acting on behalf of brokers. When securities did not exist, they even created fictitious BRs. Many fictitious entries were made debiting the cost of purchases to the brokers' accounts and crediting the sale proceeds also to the brokers' accounts. As many as nine major banks functioned as 'routing' banks in favour of 14 brokers. Brokers liberally used banks as counter-parties, sometimes even without their knowledge. Many purchasing banks were unaware of the fact that they were dealing with brokers and not with counter-party banks. When delivery was not effected of securities for which payments had been made, the liability was denied by the banks whose names were shown as counter-party banks.

A significant part of the problem has arisen on this account. The Janakiraman committee has now updated and worked out the gross problem exposure of banks at Rs 4,024.45 crore—a significant increase from the first report's estimate of Rs 3,078.63 crore—comprising (a) total value of investments made by banks for which they do not hold any securities, SGL forms or valid BRs (Rs 2,262.57 crore); (b) total exposure against BRs/SGL transfers issued by Bank of Karad and the Metropolitan Co-operative Bank for which there appears to be no security backing (Rs 1,473.47 crore); and (c) other items (Rs 288.41 crore). This gross problem exposure does not include the depreciation or losses suffered by several

JUST OUT

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banks as ready-forward transactions could not be reversed and the banks were left holding securities which had depreciated in value. Only a small amount of Rs 600 crore or so is in sight as having been recovered by banks.

The most revealing aspect of the Janakiraman committee's final report relates to the close nexus between brokers and certain banks which enabled the brokers to have unlimited access to funds: Harshad Mehta with SBI and its subsidiary, State Bank of Saurashtra, and also with its merchant banking subsidiary, SBI Capital Markets; Harshad Mehta with the National Housing Bank, ANZ Grindlays Bank and UCO Bank; Hiten P Dalal with Stanchart and Citibank and, through another broker A D Narottam, with Bank of Karad and the Metropolitan Co-operative Bank; Stewart and Company and C Mackertick with Citibank; Hiten P Dalal and C Mackertick with Canfina. There are many more such examples and also examples of the nexus among banks whereby one bank could be used as a source of funds and another as a disburser of funds.

The key element in the perpetration of the irregularities was the BRs which were used to generate transactions that had no security backing. BRs were used almost as negotiable instruments and transferred from one bank to another and also third party BRs were accepted by banks. As the Janakiraman committee report argues, "the indiscriminate use of BRs without security backing created a kind of paper money which circulated from bank to bank like a stage army of soldiers and provided an opportunity to brokers to avail of funds of increasingly larger amounts". All these irregularities were possible because of the complete breakdown of the system of internal control in a number of banks.

Premature Liberalisation to Blame

While the Janakiraman committee has thus unearthed various dimensions of the irregularities with commendable insight and thoroughness, it is on a weak wicket on two counts, namely, in its perception of the environment which facilitated the perpetration of these irregularities and, second, in its analysis of the reasons why the irregularities were not detected earlier. In explaining the environment, the committee has fallen for arguments similar to what the protagonists of liberalisation have been advancing, namely, that the rigid regulatory environment created arbitrage opportunities for banks whereby funds could be borrowed cheap and relent dear. The committee's arguments runs along these lines. First, with the withdrawal of budgetary support, the PSUs had to raise funds massively in the market. With the short-term money market closed to them, they needed an investment avenue yielding more than the coupon rate on their bonds. Therefore, the PSUs raised huge funds from the banks and re-lent them through the PMS. Secondly, the stock market was booming and the 'bulls' needed to finance their over-bought positions, never mind the high badla rates. Thirdly, bankers who faced rigid controls on interest rates and cash reserve and liquidity requirements, and who accepted high cost funds from PSUs, saw that the only avenue which yielded high enough returns was financing of stock brokers in a booming market. The committee seems to overlook that given the free play of opportunities, such arbitrage possibilities between speculative brokers operating in the stock market and banks flush with funds always exists and that is the reason why lending by banks in favour of brokers and against corporate equity is rigidly controlled the world over. In the present instance, it is unnecessary to credit the system with such learned responses based on regulated or non-regulated environments. Essentially the predatory instincts of the foreign banks (and one or two Indian bankers) overtook the system. In the first place, PSUs did not require the funds for investment and yet they were allowed to borrow massive funds through PSU bonds. Such funds were deposited with banks under the PMS, so that the banks could lend them to brokers. It was a system of fraud perpetrated with the connivance of banks, brokers and PSUs. It is now revealed how Harshad Mehta had been enjoying the benefits of over Rs 5,000 crore worth of PSU bonds for over five years. It could not be that any of the broader considerations of rigidity of banking regulations played any role in this largesse which the PSUs conferred on the big broker through the commercial banks. Secondly, it is a moot point if the share prices would have boomed but for the availability of these scam-generated funds for the brokers. Thirdly, no where in the banking world can yield rates in the short-term money market ensure regular returns higher than yield rates on long-term bonds. This is a myth created by the liberalisers to condemn the erstwhile regulatory system. Fourthly, the irregularities, with the foreign banks in the lead, were not restricted to PSU funds. Fictitious and artificial funds were generated out of thin air through BRs and SGLs just to finance the brokers illegally. If anything, it was premature liberalisation which gave freedom to banks to create parabanking subsidiaries and which totally freed the money market from interest rate regulation that facilitated the so-called arbitrage operations. If the supervisory system remains weak, frauds will occur in any environment, controlled or liberal. The fact that banks have incurred losses on a massive scale, including of about Rs 800 crore through depreciation in the value of PSU bonds, suggests that there was hardly any trace of professional ingenuity, competence and calculation on the part of the banking personnel who indulged in arbitrage operations; it was a crude method of financing brokers who enticed the bankers with the prospect of book margins and profits.

As for the reasons why the irregularities were not detected earlier, the Janakiraman committee appears to be soft on all the three major parties, namely, the bank managements, the supervisory authority (i e, the RBI) and the banks' internal auditors, who should have detected the irregularities. There is no doubt that the failures everywhere have been at the top for want of professional commitment and competence. In the banking industry, over the years, the quality of personnel in the higher echelons has been deteriorating. Likewise, in the case of the Reserve Bank, the Janakiraman committee argues that in emphasising the quality of banks' assets, provisions for doubtful debts, etc, the central bank did not perhaps give sufficient importance to the banks' treasury functions. It also points out that the RBI had nevertheless detected some of the irregularities earlier. This may be true and may redound to the credit of lower-level functionaries in the RBI. Even so, irregularities on such a massive scale for so long a period since the mid-80s could not have occurred but for lack of vision and foresight in the higher echelons of the Reserve Bank. The Janakiraman committee report is silent on this aspect of the RBI's failure.

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NEW DELHI

Lame-Duck Government and MNCs' Challenge

BM

The siren song of multilateralism in world trade and economic exchanges is being used to persuade the developing countries to open up their economies to the goods, services and capital of the developed countries even as the latter feverishly raise protectionist walls for themselves, set up restrictive trading blocks and mount bilateral pressures. However, the minority Narasimha Rao government, its credibility thoroughly eroded, is in no position to provide an effective riposte to these challenges.

THE result of the by-elections to the Lok Sabha and state assemblies in May have further eroded the credibility of the government headed by Narasimha Rao. The Congress (I), running a minority government, has suffered a severe setback in the elections. Coming in the wake of a series of other embarrassing developments, among them its discomfiture over the impeachment motion against justice Ramaswami and the MP high court verdict against the dismissal of the BJP government in MP, the question of revival of popular rule in the states placed under president's administration after the demolition of the Babri masjid, has been placed squarely on the agenda. Thereafter, a mid-term poll for the Lok Sabha is bound to become unavoidable. Any attempt to circumvent the demand for a fresh poll at the centre will be impossible in the event of the Congress suffering a major debacle which is very much on the cards in the assembly elections in UP, MP, HP and Rajasthan. The idea that the minority Congress (I) government can still perpetuate itself by manoeuvring votes in Lok Sabha is likely to [illegible] its consequences also will [illegible] the democratic basis of [illegible] and its organs.

The failure to respond positively to the imperative of a fresh mandate for any arrangement for governance at the centre will mean that those who occupy positions of power without popular sanctions at different points in the polity will resort increasingly to intrigues, manipulations and authoritarian methods to exercise power. The trends in this direction have already become so menacing that the normal life of ordinary citizens is being affected and civic order and its obligations are being disregarded to an increasing measure by many individuals as well as groups in a position to do so. Lumpen behaviour in political and civic life is growing. Violence is tending to be pervasive. Felt grievances, problems and disputes are leading to defiance of lawful authority. Political chaos in the wake of what led up to the December 6 events and the subsequent widespread rioting and violence culminating in the Bombay bomb blasts is visibly leading to chaos in civil society and its day-to-day functioning. Political leaders, those in office or in the opposition, must not take an ambivalent view of the prevailing conditions and mood of the people. The government might have survived the budget session of parliament by taking advantage of the disunity among the opposition parties. But this has not improved its political viability. It is not surprising either that factional squabbles in the ruling party have further intensified. The crude efforts of the dominant faction to assert its supremacy in the party have not proved to be very effectives. The moves to [illegible] with [illegible] and [illegible] discipline in the party have turned out to be farcical. The stand taken by the Congress (I) leadership on the motion to impeach justice Ramaswami, which has sullied its image as a party which is willing to condone corruption in high places, testifies to the vulnerable position of the so-called party high command.

COMPETING WITH BJP

The high command is seen to be concerned only with personal and sectional interests. It is resorting to tactics for survival which are dangerous. The prime minister has had no hesitation in entering into questionable deals with reactionary and obscurantist elements in India. He has also been active in promoting deals with foreign business interests about which there are questions galore. There is total disregard for the principles of accountability and transparency in the functioning of the government. For instance, the prime minister declaimed not long ago that puja in the temporary 'Ram temple' put up by VHP at Ayodhya had been allowed by the district authorities without reference to the centre. Now it being asserted that the 'som yagna' organised by Chandraswami, the notorious godman close to the prime minister, at Ayodhya has nothing to do with the government. But the district administration is known to have been overhauled to suit the convenience of the godman after the newly appointed governor of UP openly declared his support for the 'yagna'. The much-advertised fight against communal forces has turned out to be a competition between Congress (I) and BJP in building the Ram temple at Ayodhya and in mobilisation of 'sants' and 'mahants' behind their respective camps. This competition is being organised within the framework of a possible Congress (I)-BJP coalition, an idea which is being discreetly projected as a possible political resolution of the problems facing Congress (I). The deceptive postures of Narasimha Rao of consensus politics and of strict action against anti-secular forces are turning pathetic. The BJP-RSS combine is treating them with derision. The NF-Left alliance can only be sceptical about them. All this has created an environment, political and social, which can have tragic consequences for Indian democracy and the needs and aspirations of its variegated society.

Questions of economic revival and of appropriate policies to that end have been pushed far into the background. This has been found to be very convenient by the government in respect particularly of the Uruguay GATT round of negotiations. The shady manner of functioning of the Rao government attracts special interest in this context. These negotiations are now entering their final stage. The round was stalled for quite some time by differences among the developed countries, but these differences are now being ironed out. The developed countries, while they have contradictions among themselves over some aspects of the world trading arrangements, are working in concert to pressurise the developing countries to submit to their collective concerns. Pranab Mukherjee, after he took over charge of the commerce portfolio in the cabinet, has become very active in favour of accepting the G7 diktat for a GATT treaty which will so manage world trade as to promote the unhindered operations of multinational corporations and transnationalise

global economic exchanges for their advantage. The notion that what is at issue is just some adjustments in the intellectual property rights regime, capital flows and trade in services is wrong. The GATT round actually seeks to create conditions which come into conflict with the development aspirations of the people in the entire third world.

Mounting Pressures

In the case of India, they conflict with not only existing Indian laws but India's fundamental law, the Indian Constitution itself, on several counts. The agitation of large sections of peasantry against the proposed globalisation of even the farm sector should have jolted the government. But this has not happened. On the contrary, attempts are being made to put a gloss on the GATT round and to fall in line with the G7 proposals for the management of world trade in goods and services and of world capital and technology flows. This will totally nullify the strivings of the developing countries after gaining political independence for a world economic order which would make it possible to sustain and accelerate their development. The siren song of multilateralism in world trade and economic exchanges is being used to persuade the developing countries to open up their economies to goods, services and capital of the developed countries even as the developed countries feverishly raise protectionist walls for themselves, set up restrictive trading blocks and mount bilateral pressures on individual developing countries.

The new US administration has queered the pitch for India by again naming India under clause 301 of its trade law. It had earlier withdrawn preferential tariffs for some of Indian goods, especially drugs, exported to the US. When confronted with this issue, commerce minister Pranab Mukherjee bravely stated that the government would not engage in bilateral negotiations with the US on GATT issues under the threat of special 301, but would negotiate the issue of intellectual property rights and other matters in the GATT round. In fact senior officials in the commerce ministry have been sent to Washington to assure the US that what the US desires under special 301 would be given to it under the GATT round. This is the reason for the US decision to keep sanctions against India under 301 in abeyance.

It is not at all fortuitous that the disbursement of foreign credits even after they have been sanctioned is being held up and foreign investment is not being made even after they have been approved. More and more stringent conditions and terms are being attached to these credits and investments. In this process, the government has become more and more vulnerable to foreign pressures.

The position of the government and the IMF management on exceptional financing facilities for India is an interesting case study in this context. Before India's finance minister, Manmohan Singh, went to the recent meetings of the IMF and World Bank at Washington, there was talk in some quarters, evidently inspired by finance ministry officials, that with India's foreign exchange reserves position becoming strong after the introduction of the unified exchange rate regime for the rupee, it may no longer be necessary to go in for the medium-term extended financing facility with all its stiff conditionalities. The idea obviously was to create the impression that the government had regained its initiative to bargain with foreign creditors and international financial institutions. The truth, however, is that the request for the IMF facility has been pending before the IMF management for quite some time, in fact as an extension of the standby credit negotiated in 1991. One of Manmohan Singh's tasks in Washington actually was to try to explain the government's need for this credit line and clear the way for formal negotiations for securing it. There is a great sense of satisfaction in the finance ministry that the managing director of the IMF responded favourably to this position. The negotiations on the EEF are now due to start in July after the annual Aid India Consortium meeting at Paris. What happens at Paris too will, therefore, be interesting to watch as it will have a bearing on the EEF negotiations.

MNCs on Offensive

Side by side, MNCs are playing their own well-rehearsed games in India. They are taking measures to establish for themselves a commanding position in the Indian market. After the amendment of FERA, so that foreign holding in a company in India is no longer limited to 40 per cent of the equity, the field has been cleared for transnational corporations to upgrade their holdings to 51 per cent and more or directly set up subsidiaries in India. The MNCs have taken big strides in this direction. A significant part of their moves is the removal of any Indian touch in the brand names of products and services of ventures in which they hold equity. The idea that joint ventures in India will provide an opening to Indian business enterprise to associate with globally well-established brand names was fanciful to begin with. The question of developing Indian brand names in the global market with the help of MNCs is a pipe-dream. It is not surprising either that direct foreign investment by transnational corporations in their ventures in India is still kept at a low level. After the initial minimal investment is made, expansion of their business in India is made contingent on profits generated in India, only a part which are reinvested here. Take, for instance, the funding of the expansion scheme of the most shining example of Japanese investment in India. Suzuki is insisting on large dividend repatriation on its investment. But it does not propose to make large additional direct foreign investment and will prefer to use internal reserves and funds raised from the Indian market to finance the expansion programme of Suzuki-Maruti.

This is not something novel. The transnational corporations which have for long engaged in business in the Indian market have followed this policy with great success. Unilever is a striking example in this context. Its Indian subsidiary, Hindustan Levers, has grown into a giant enterprise in India despite the erstwhile restrictions on foreign shareholding. With FERA restrictions gone now the business ambitions of Levers have grown enormously. It is now engaged in the takeover of several Indian companies. The most spectacular catch in its bag is Tomco, a company belonging till recently to the biggest Indian business house, the Tatas.

The spate of joint ventures established as part of the economic liberalisation drive in the second half of the 80s, according to C K Prahalad of the University of Michigan, provided transnational corporations the opportunity to participate in and get to know the Indian market at low cost. The initial investment was low. The MNCs could establish their brand names: first as "hyphenated brands such as Maruti-Suzuki, Hero-Honda and Modi-Xerox. MNCs did not have the burden of exports. The joint ventures were not foreign exchange neutral to India". Further, "as these MNC brand names take hold and come to signify a level of quality, the value of the Indian part of the hyphenated brand name is likely to become less and less ... Indian firms will then have a difficult time penetrating the world markets". The process envisaged by Prahalad is already unfolding and its acceleration is logical as part of the liberalisation-globalisation process. Indian big business interests which have developed comprador relations with multinational corporations through joint ventures are ready to provide a social base for MNCs and function as their commission agents with far-reaching implications for India's socio-economic development.

Mobilisation against Communalism in South Maharashtra

Anant Phadke

The strategy of combining an anti-communal appeal with a plea for evolving an alternative path of development has led to mass mobilisation in southern Maharashtra.

A 30,000-strong 'parishad' was organised in a small village, Kini, in Kolhapur district in southern Maharashtra against communalism, against the Congress-BJP axis and pleaded for a new direction in a new agricultural development. Against the background of a low-key, weak response of the left in Maharashtra to the onslaught of aggressive Hindu-chauvinism and the new economic policy, this parishad stands out as a bold, welcome initiative. Baba Adhav, the noted socialist reformer, had taken the initiative in Pune to organise a rally of all democratic, secularist, leftist forces in Pune, on Republic Day this year. This national Integration March' in Pune of over 5,000 people showed that given determined efforts, people can be rallied for a secular stand.

The Kini parishad has not only demonstrated this again but has gone beyond the Pune rally. It was bigger and had a wider appeal and agenda and was a rural mobilisation. Inaugurated by the famous progressive film artist, Nilu Phule, this parishad was organised jointly by a combine of a handful of left activist leaders from south-west Maharashtra. Nagnath 'Anna' Naikwadi, the revolutionary freedom-fighter (a member of the revolutionary 'Prati-Sarkar' group in 1942) turned leftist took the initiative. He has a charismatic image which was an important factor for the success of the parishad. This 70-year-old independent leftist leader has been the moving spirit behind and is at the helm of the famous Hutatma Ahir Sugar Co-operative factory. This is the best run co-operative sugar factory in Maharashtra and its functioning has been quite democratic, egalitarian and free of corruption, mal-utilisation of funds, indifferent management, nepotism, etc. It has therefore been consistently paying a higher price for cane-sugar than any other sugar factory. In addition a good amount of money is spent on pollution prevention measures. Anna is, therefore, looked upon by many farmers as an alternative to the sugar kings and as somebody who can deliver the goods. At the instance of 'Anna' Naikwadi, the 5,000-strong general body meeting of the factory decided to launch a big campaign against communalism and sanctioned Rs one lakh towards expenses. (More and more money was subsequently sanctioned.) As a first step, on February 15, the death anniversary of Hutatma Ahir, a human-chain of 88 km was formed symbolising national integration. Enthused by the response of the people, it was decided to carry out a sustained campaign against communalism. 'Anna' was joined by a few activists of Shramik Mukti Dal; a few from the Lal Nishan Party, (the Maharashtra-based left party parallel to SUCI in West Bengal). Bharat Patankar and his colleagues of Shramik Mukti Dal had proposed that all progressive organisations in Maharashtra organise a Maharashtra-level rally against communalism and the new economic policy on the Shahid Bhagat Singh Day. But the response to this was weak, one reason being a general sense of helplessness amongst the progressive forces. But the fact that some activists, intellectuals have reservations about Bharat Patankar's attempt to drive a wedge between brahminical Hinduism and 'people's culture' also played its part in the uneven response to this proposal. Shramik Mukti Dal had given a call for rallying around the slogan of *'Ida Pida Talo, Baliche Rajya Yevo'* ('let the evil forces go, let Baliraja's Kingdom arrive'). Baliraja is a popular legendary king of the toiling peasants and was much glorified by Mahatma Phule. But according to some leftists intellectuals Baliraja is not a very appropriate counter-focus to the BJP's dream of 'Ramrajya'. In practice, however, this distinction between brahminical Hinduism and people's religion seem to be making a lot of sense to the people in rural areas.

For common rural people, even today, the talk of keeping religion a strictly private matter is not a very appealing proposal—religious festivals and social interactions are so intermingled. Some leftists are, therefore, now arguing that instead of neglecting this socio-cultural role of Hinduism, it is necessary to incorporate it into our strategy. It is necessary to make people aware that BJP's Hinduism is brahminical; that peasants and other toiling people have their own healthy cultural traditions and that there is a need to revive them rather than fall a prey to the brahminical encroachment—of revival of Rama or Ganesha, etc. Such an approach seems to be finding a response among rural people. It is being pointed out that many of the rural festivals ('Pola', 'Hadga', Navaratra, 'Kojagiri-Poornima', 'Chaitri-Padwa', Diwali, 'Makar-Sankrant', etc) are more related to natural and agricultural cycles than abstract mythological superstitious stories from the Puranas. Though there are some theoretical and practical problems in reviving socio-religious peasant-traditions, there seems to be no better way today to counter the BJP-strategy of rallying common people around Ram mandir issue, and of misusing people's religious feelings for narrow political ends.

Learning from the people's positive response to the critique of brahminical Hinduism, activists-leaders from different shades of progressive organisations in Maharashtra are veering towards this strategy There is a growing realisation that an appeal to adhere to the constitution, to secularism, etc, is insufficient to fight the Hindutva onslaught: That this modern republicanism is to be coupled with a revival of non-brahminical, peasant cultural traditions in order to sink roots into the rural psyche. Bharat Patankar's booklet on critique of brahminical Hinduism is becoming popular and thousands of copies have been sold. A second popular booklet is by Govind Pansare of the CPI. This two-rupee Marathi booklet, *Are Muslims being Pampered?* is selling very well along with a larger booklet published by the Brahme Granthalaya, an independent left institution. In the hundreds of mass meetings that have taken place in the villages in south-west Maharashtra—eight meetings per day from March 10 to May 25—the facts and figures packed in these booklets have been extensively used and have reached lakhs of people. These village meetings are well-attended and the speeches very well received.

The second plank of the current campaign in south-west Maharashtra is the critique of not only the new economic policy but the whole strategy of green revolution. Shramik Mukti Dal/Mukti Sangharsh has been arguing that the green revolution has resulted in an all-round degradation of agriculture. There has been a fall in the primary productivity of agriculture; a complete dependence of farmers on the petroleum-based (a dwindling resource) fertilisers and pesticides and on hybrid-seeds marketed by profit-hungry companies; and on banks which have linked loans to the acceptance of the green revolution strategy. Traditional methods, modified by some aspects by modern technology, can reverse this process of technological and other dependence of farmers and of agricultural degradation. Peasants have begun to experiment with 'sustainable agriculture' either on their own or at the behest of activists. The talk of 'new self-reliant, sustainable agriculture' of new agro-based industries for decentralised model of development now finds many eager listeners amongst farmers in irrigated areas, since even in this area peasants are now acutely facing problems created by the green revolution. In the meetings in the drought-prone areas, this perspective of alternative agriculture was combined with that of equitable distribution of water. This demand is now being accepted by ordinary farmers in irrigated areas also because degradation of agricultural land due to excess use of water and increased dependence of small, medium farmers on the bosses who control water-

farmers to seek alternatives

The strategy of combining an anti-communal appeal with the appeal for an alternative path of development was largely responsible for the large turnout at this parishad The charisma of 'Anna' Naikwadi was of course an important factor Anna's charisma alongwith the fact that Anna and a band of committed activists from different backgrounds are coming together to build something new has created hopes in southwest Maharashtra The arguments of this team were also somewhat new and closer to the experience of the farmers The 15 detailed resolutions passed in the parishad ranged from the demand for democratic and proper functioning of the sugar co-operative factories, to the issue of degraded agriculture, to communal issues, along with issues of abolishing capitation fees and problems of deserted women It was a broad progressive manifesto of a sustainable, egalitarian agro industrial path of development based on secular democratic culture built by incorporating healthy people's traditions Though many of the demands of this parishad are to be taken up as principal demands for different agitations, the parishad itself did not give any concrete single plan of action In this sense it was essentially a gathering to express allegiance to a new path, independent of the Congress and the Shiv Sena/BJP combine, against communalism and for a new agricultural strategy of development (The newly formed Janata Dal party has also taken a stand against 'brahminical Hinduism' and for equitable distribution of water. It has also received a good response, though some of its leaders are known for their opportunism) Given the fact that the campaign was limited to only three districts, Satara, Sangli, Kolhapur, a gathering of 30,000 (a police estimate), is according to senior activists, the largest political mobilisation from this area organised by the opposition (excluding mobilisation during elections) since the days of Samyukta Maharashtra movement some 25 years ago

An agricultural labourers toiling peasants organisation has been formed Follow up meetings and the process of electing office bearers has begun The task of mobilising people around the perspective of this parishad is an immense one Only the coming months will tell us whether this united initiative towards a new left path in rural Maharashtra will continue to progress

The problems of urban and peri urban areas, its youth its communalism are somewhat different Secondly, encroachment of vulgar, pop-culture through videos and through the market forces especially amongst the youth even in rural areas will require additional consideration and perhaps a separate counter strategy But the May 26 parishad and the campaign for its preparation has shown that at least among the toiling peasants, a break from the current stagnant left politics in rural Maharashtra can be achieved

MADHYA PRADESH

Smoking Peace Pipes

The unity moves of Congress leaders in the state, although superficial, has served to boost workers' morale

THE change could not have been more marked Three months back Madhavrao Scindia, the former civil aviation minister, had publicly insulted Arjun Singh, the union human resources minister, at a Congress(I) rally in Madhya Pradesh Both of them had gone to Rajnandgaon to address the rally However, Singh reached late for the meeting Instead of waiting for him, Scindia finished his speech and left the venue as soon as Singh's helicopter was sighted Last week it was a different story when Singh went to Gwalior to attend a party rally organised in Scindia constituency and was received at the railway station by Scindia

The Congress(I) leaders of Madhya Pradesh have now again assembled to smoke peace pipes The warring chieftains met last week at Dabra, a small tehsil town near Gwalior in an effort to solve their disputes at Scindia's behest The result was an uneasy truce among various rival factions of the party

The meeting had been planned by Scindia. He had invited not only Singh but also the two Shukla brothers, union minister V C Shukla and his elder brother S C Shukla, the main adversaries in state politics Braving a hailstorm, which delayed the meeting by more than two hours, a large number of Congress(I) workers and a host of junior and middle-ranking party leaders, who had been fighting each other on the ground level, assembled at Dabra The rally had an obvious effect on the mood of the Congressmen, boosting their morale After all the warring group leaders had put aside their differences and decided to share the same public platform and put up at least a facade of unity for public consumption Addressing the rally, Scindia declared "This is the power of Madhya Pradesh Congress We are ready to face any crisis" But this was not the first time that the Congress(I) leaders in Madhya Pradesh had tried to achieve unity They have been making periodic attempts at times of crisis The last time they had done it was during the 1991 parliamentary elections

Most of the time such moves have been superficial attempts. This time too it was a farce, a show put up only for public consumption, with the rivals trying to undermine each other's position behind the scene.

In fact, former chief minister S C Shukla came to attend the meeting with great reluctance He simply did not want to share any public platform with Singh His reading of the situation was that prime minister P V Narasimha Rao would not be too pleased with any effort to accord legitimacy to Singh's campaigns However, he turned up for the meeting at the last moment after being informed that Rao had approved the idea of a unity rally

Although a single meeting cannot be construed as a campaign, even an appearance of unity would help the Congress(I) in the state at this juncture As it is, the Congress(I) is a badly divided party right now, with the three main groups lead by Singh, the Shuklas and Scindia pulling in different directions The Dabra meet as former chief minister Motilal Vora put it has energised the party workers In fact Scindia wants other leaders of the party to carry on the good work done by him

The Dabra meet had a different message, which was missed by most of the people It was a formalisation of the uneasy alliance that Singh and Scindia have entered into during the past few weeks Advertisements published in local newspapers by the supporters of the two leaders underlined the fact that now Arjun and Madhav', the mythological friends in the Mahabharat, would prove a formidable combination for the BJP in real life In fact at the Dabra meet Singh was given more importance than the Shukla brothers, confirming the worst suspicions of S C Shukla

The alliance between Singh and Scindia is also not new The two have a love hate relationship Scindia has played a key role in Arjun Singh's ascent to power for the first time in 1980 Since then Scindia has been participating in the frequent anti Singh campaigns off and on He was himself denied the chief minister's post in 1989 when Singh's men preferred Vora to him The thing is that Scindia also needs Singh's support Singh is the only leader who can stand up to Rao and at the moment Scindia's relationship with Rao is not altogether a happy one Ever since his resignation from the union cabinet, he is feeling neglected by the party high command The final blow came when his name was not even considered for the high power consultative committee constituted for Madhya Pradesh

But the main beneficiary of the unity move will be Singh He has been under tremendous pressure in his home state at a time when he wants to spread his wings The unity will mean a let up in the attack against him and provide him with breathing space No wonder, he is the most enthusiastic supporter of the move But as Sitaram Kesri, the welfare minister, told the rally, with an open jibe at Singh, the unity is needed not only in Madhya Pradesh Said he "Unity is required at the national level too"

OBITUARY

P N Mathur

D Ghosh

To economists in India and abroad, P N Mathur's name was synonymous with input-output analysis, but for Mathur input-output analysis was only a tool in his quest for understanding how economic systems work. In this quest his focus was on the interrelationships among prices, wages, interest rates and technology.

FOR an economist, Purushottam Narayan Mathur had very good pedigree. His grandfather, Brij Behari Mathur stopped cultivation of indigo when he realised that cultivation of cash crops was one of the causes of the famine of 1890. He then followed it up by introducing an informal system of rationing as well as mango tree plantation work in the village. Mathur had excellent pedigree in his chosen field of hobby as well. We will come to that later.

Mathur was born in Manipuri, near Agra on July 5, 1925, youngest son of Vinod Behari Lal Mathur. He had two brothers and two sisters. He did his MA in Economics at Agra University (1948) and Diploma in Statistics at Indian Agricultural Research Institute, New Delhi (1952) where he was awarded the Randhawa gold medal for the best thesis. The award, incidentally, was presented to him by Pandit Nehru and he took great care to hide the photograph of this ceremony from public eyes. It only became public knowledge towards his retirement days, under pressure from his nearest and dearest. This we mention since it tells us one aspect of Mathur's personality. He did not believe in reflected glory.

Mathur started his academic career as a lecturer at Indian Council of Agricultural Research at New Delhi and from there started his long journey of understanding, studying and analysing of economic processes. What makes an economy tick, to use a somewhat informal expression. This early part of his career was devoted to a number of major research projects and teaching. During the mid-50s he joined the Gokhale Institute of Politics and Economics at Pune as a senior lecturer. He rose to become a professor and then director within about 10 years. In between his tenure at the Gokhale Institute, he joined Harvard Economic Research Project at Harvard University as a senior research associate for about two years. This is the period when his long personal association with Wassily Leontief began. However, in the field of input-output analysis, by now, Mathur was already on the way to building up an international reputation. At Gokhale Institute he founded, along with a few like-minded friends and colleagues, the Indian Research Association for input-output studies and for Income and Wealth. It is no exaggeration to state that Mathur was instrumental in introducing India's name in contributions to input-output analysis.

Mathur left India in 1970 to join the University College of Wales in Aberystwyth as Professor of Economics. He is the first ever Indian to be appointed as professor in a British University and attracted quite a lot of media interest. Readers of *EPW* are probably aware of the fact that a number of Indian economists, working abroad, live a somewhat dual life. They tend to become a bit more neoclassical while working abroad than when at home. Mathur was the exception. He taught, supervised and carried out his own research in what were to him the true economic issues. He was not an 'anti' anything. It is just that he felt genuinely confused in the uselessness of certain approaches in economics. His many students from different parts of the world, a majority of whom, perhaps not surprisingly, are teaching or involved in research, have been brought up to measure and analyse interdependences within an economic structure and their changes. The economic and political climate in the western world during the late 70s demanded a price from the academic who, to use Mathur's own expression, "was not prepared to cut the t's and dot the i's". Mathur was one such. He retired from University College of Wales, Aberystwyth in the mid-80s. He was more confused than angry. He genuinely did not understand the rationale behind the new orthodoxy. He did not give in. He planned to write a number of books spelling out what he passionately believed to be the real issues in economics. These include *Why Developing Countries Fail to Develop* (1991) and *Interest Rate: Its Impact on Price Movement* (1986) as well as a number of nearly completed manuscripts. In all Mathur has published more than 90 articles on economics and supervised at least 55 doctoral dissertations. Economics to him was not merely a tool for personal promotion, getting invited to conferences, publishing another paper. His joy was in seeing the truth explored. It did not matter to him who got the credit. He was generous with his ideas and practical help and encouragement to his students and colleagues. He wanted everybody to benefit from the insights he worked so hard to achieve into the working of the economic system.

What is Mathur's economics? To answer this question in full one has to go through, in addition to his major publications, the nearly completed manuscripts he was working on. For the time being we can only try to have a glimpse of what is his major contribution in to understanding of economics. Though to economists both in India and abroad Mathur's name is almost synonymous with input-output analysis, going through the major work of his one perhaps cannot avoid the feeling that input-output analysis was only a tool to him in understanding the working of an economy. His main quest was how an economic system works. The interrelationships among price, wage and interest rates, technology—the building blocks. In his world, current price structure is determined by current wage and interest rates as well as technology as reflected in the input-output coefficient. However, unlike in Sraffa, this input-output coefficient is related to the *least efficient technique and not to the average or the best practice technique*. What is the reason behind this? At the risk of over-simplification, let us try to provide a flavour of Mathur's analysis. In a growing economy, layers of techniques with differing productive efficiency exist and are employed simultaneously. This is what he called a *state of flux*. A successful innovation lowers the variable cost per unit of output and an entrepreneur's decision on whether to continue in production or not is dependent on variable cost per unit of output. The introduction of a new, most efficient, technology can cause variable cost per unit of output for the existing technologies to increase, forcing the least efficient one(s) to become obsolete. The *marginal* techniques, the techniques which are on the verge of obsolescence, will determine the price. In a state of flux, the firm using the most up-to-date technology will earn the highest returns. The amount of returns over and above the recurring cost of production (including interest on working capital), Mathur called technological surplus of a firm. A firm will continue to operate so long as it earns a non-negative technological surplus. An establishment with the oldest technology in use will be earning zero technological surplus while a firm with the most modern technology will, naturally, earn the highest surplus. This technological

surplus is slightly more comprehensive than Schumpeterian profit. While Schumpeter's definition of profit excludes interest, depreciation, etc, on fixed capital these are included in Mathur's technological surplus. This surplus is almost like Ricardian rent. It is, like rent, based on differential efficiency of different units. However, the similarity ends there. As in the long run, as more and more firms enter the industry with most recent technique firms which were earning zero 'rent' before, the marginal firms, are forced out of the industry. Though this technological surplus may look like Marshallian quasi rent, in the latter case a new firm has no particular advantage over its predecessors whereas this is not the case in technological surplus. We thus see that at any given moment in time a spectrum of technology exists in an economy working simultaneously and having different productivities and profits. Out of these, the least efficient technique is the one determining the price structure. The marginal technique is in operation because demand at the price structure associated with that technique exceeds the total capacities of all the more efficient techniques.

When any new investment is made it uses the best practice technique at the time. But if demand ceases to increase to accommodate the newly created capacity the firm has to poach on someone else's market. A competitive firm (or a fix-price firm in the sense of Hicks) will either reduce the price of its product to such an extent that the marginal firm is compelled to leave the market or it may increase the wages of its employees thereby increasing the variable cost of the marginal firms, again forcing them out of the market. In sum if new investment is undertaken under the scenario of stagnant demand (this can happen to, say, replace old capital and/or to reap high profit made possible by technological advances) it will cause some firms to close down. Under these circumstances, there will be an increase in unemployment. Thus we can see that a situation may exist under which increase in wage (for those labourers associated with the new technology) may exist with a high level of unemployment. We have the Phillips curve story without the militant trade unions. Or a somewhat Marxian condusion without universal exploitation of labourers.

Mathur used this relationships among wage, price and technique of production to analyse the prospects for developing countries in the international trading system. This prompted him to build an international trade theory without Say's law. For his analysis of developing countries his starting point was the studies undertaken by Dadabhai Naoroji. This is not from a sense of nationalistic feelings. He built part of his model on Naoroji's Drain Theory because he found it relevant. Mathur would happily refer to research findings even if these were by a humble PhD student. He was searching for truth and could not be bothered with 'public relations'.

This brief look at Mathur's economics does not do justice to the wealth of wisdom he has left behind. Anybody searching for an alternative to the neoclassical general equilibrium economics or getting frustrated with the standard literature on growth, technological progress and macro-economic instability will find Mathur's work a profitable investment. Similarly, for development economists and practitioners brought up on a diet of models of dual economy his work will lead to a new rewarding direction.

The areas of economics in which Mathur worked in and contributed to include price system, theory and empirical study of consumer behaviour, growth and technological change, development planning, north-south relationship, international trade and inter-regional cooperation, agricultural economics and price behaviour, national income accounting and, of course, input-output analysis. The areas of application extended from analysing strikes in the Bombay cotton textile industry to construction and application of input-output tables from countries like Sudan, Iraq, Sri Lanka and Nigeria to name but a few. Add to this his enormous volume of research, publication and supervision on aspects of Indian and the UK economy and you will only be beginning to get a hint of this man's intellectual capacity.

What Mathur did for a hobby many people would consider themselves lucky to do as their full-time occupation. His hobby was ancient Indian astronomy, anthropology and Indology. He was a Sanskrit scholar and also produced scholarly articles on *Ramayan* and *Mahabharat*. His pedigree in these areas derived from his father who, though an advocate by profession, wrote a book on Vishishtha Advaita Sidhanta. He was also one of the trustees of the Shri Rangi Temple in Vrindavan.

Mathur had an impish, almost childlike, sense of humour and a tremendous urge to discover. He never could stop working. His economics grew from his early days of going round villages collecting data on rural consumption. In his conversations he would recall incidents from those days to explain some point or other, and then suddenly one would realise what had prompted this man to devote his life to writing on and teaching economic growth and distributive justice.

P N Mathur passed away on Sunday, March 21, 1993 at Carmathen in Wales.

BIHAR

New Reservation Policy

Kameshwar Choudhary

The new reservation policy has further consolidated backward class support for the chief minister. However, the withdrawal of reservation benefits for upper caste women has generated intense criticism.

THE Supreme Court's verdict on the Mandal Commission report has given an unexpected but important opportunity to Laloo Prasad Yadav, the chief minister of Bihar, to further consolidated his base among the OBCs and strike at the hegemony of upper castes in the state.

For the last 15 years Bihar has had a policy of reservation for OBCs, was implemented by the government led by Karpoori Thakur. The Karpoori Thakur scheme of reservation was formulated under the constitutional provision of reservation for socially and educationally backwards (Article 16). As per the scheme, there was provision of 12 per cent and 8 per cent reservation in jobs for the most backwards and backwards respectively. In addition, the ratio of reservation for the economically poor among the upper castes and women belonging to all caste groups had been 3 per cent each in government jobs at the state level. The scheme also excluded the economically well-off among the backward classes from availing the benefits of reservation through putting an income tax ceiling. Agitations were held by the upper castes against this reservation policy, but gradually petered away partly because the scheme had an in-built strategy of dividing the upper castes on the issue through making provisions of reservation for those among the upper castes who were backward in terms of economic position and gender.

But the government led by Laloo Prasad has very recently replaced the Karpoori Thakur scheme with a new formula. The ordinance to this effect was approved by the state cabinet on February 16 and got the assent of the governor Mohammed Shafi Qureshi the following day and thus

became effective. Under the new scheme, the ratio of reservation in government jobs has been raised by 2 per cent each for the two sections of the OBCs, i e, from 12 per cent to 14 per cent for the most backwards and from 8 per cent to 10 per cent for the backwards. The earlier provision of 3 per cent reservation for the economically backward upper caste people has been struck down. The ordinance ensures 2 per cent job reservation for women belonging to the SCs, STs and OBCs. Now the upper caste women cannot enjoy the benefits of reservation. Gender is thus not considered to be a common denominator of socio-educational backwardness as was the case under the previous scheme. In addition, the ordinance has also abolished the income tax ceiling which had been imposed under the Karpoori Thakur formula of reservation to prevent the economically prosperous section among the OBCs from taking advantage of reservations. There is a provision for constituting a five-member permanent commission to look into the claims of beneficiaries of job quota scheme in the light of the judgment delivered by the apex court on the Mandal Commission report. The proposed commission is to comprise a chairperson, a social scientist, two experts and an officer of the joint secretary rank.

The chief minister has strongly defended the new schemes. He argues that the apex court in its judgment on the Mandal Commission report had declared the job reservation scheme on the basis of economic backwardness and gender 'unconstitutional'. The court has upheld reservation in jobs only on the "basis of social and educational backwardness" as per the provisions of the Constitution. Hence, he reasons continuing job reservation on the basis of economic backwardness, in the state was tantamount to violation of the judgment given by the highest court of the land on the Mandal report. However, he suggests that the central government should bring about an amendment in the Constitution if it was willing to extend the job reservation facilities for the poor among the upper castes.

In fact, the dynamics of the changes introduced in the reservation policy by Yadav are a result of his political calculations and compulsions as well as his politico-social objectives. The BJP has made concerted moves to counter Yadav and penetrate his solid social base of the backwards, especially the yadavas. Recently, as a part of its strategy the BJP drafted the former MP and senior party leader, Jagdambi Prasad Yadav, as the president of its newly-founded body, the Shriram Lok Sangharsh Samiti and projected another party leader belonging to the yadav caste, Ramdas Rai, as an 'important functionary' of the party. In addition, it is trying hard to make inroads into the SC and ST vote banks. During his recent visit to Bihar, L K Advani repeatedly emphasised that his party had got Kameshwar Choupal, a BJP MLA, belonging to the SC community to perform shilanyas of the Ram Mandir at Ayodhya. The Hindutva juggernaut is gradually gathering momentum even drawing some sections of the backward castes. In February, the convenor of Kranti Morcha, Birendra Nath Sharan, and the Kurskanta block Congress leader, Ganesh Prasad Yadav, along with hundreds of their followers joined the BJP.

Obviously, Laloo Prasad has to be on guard against communal onslaughts of the BJP. He knows that the support extended by a section of the leaders of the BJP and the Congress(I) to the fierce anti-reservation movement in the wake of the implementation of the Mandal Commission report had yielded dividends to the Janata Dal, particularly in the last Lok Sabha elections in Bihar. The movement has widened the gulf between the upper castes and backwards. This polarisation has enabled the JD and its allies to win 49 seats out of 54 in the last Lok Sabha elections.

Besides the legal justifications extended by Yadav, the current changes made in the reservation policy are latently guided by his strategy to encourage the political (electoral) polarisation between the upper castes and the backwards and solidify his base among the latter. He thinks that the new ordinance on reservation, which removed the provisions giving some benefits to the upper caste men and women, would generate a reaction among the upper castes and force them into the fold of the BJP which is gaining strength in the wake of the demolition of the Babri mosque. Such a reaction, he calculates, may create a counter-reaction among the backwards and prevent them from falling prey to the designs of the BJP. In this process, only the Congress(I) would lose its upper caste supporters to the BJP and the backward vote-bank of Yadav would get further cemented. Further, due to his unrelentless aggressive stance and moves against communal propaganda and activities of the BJP, he has become immensely popular among the Muslims who speak of supporting him even if his own castemen, the yadavas, desert him.

Another significant factor leading Yadav to adopt the new reservation formula is the ongoing internal struggle within the Janata Dal. Currently, a section of the party opposed to Yadav is led by the engineer-turned-politician and MP, Nitish Kumar who was previously a close confidant and friend of the former. Nitish Kumar was conspicuous by his absence at the grand 'sadbhavana' rally organised under the stewardship of Yadav at Patna's Gandhi Maidan on January 20. The rally was attended by a galaxy of leaders including former prime minister and SJP leader Chandrashekhar and the West Bengal chief minister, Jyoti Basu.

This opposition from a section within the party grew as Yadav declared that the Karpoori Thakur scheme of reservation would be changed as per the Mandal Commission report. Only a few days after the massive rally several prominent leaders and ministers of the party led by Nitish Kumar paid glorious tributes to the former chief minister Karpoori Thakur. The function was jointly organised by the Karpoori Rachna Chakra and the Jan Nayak Karpoori Thakur Vichar Kendra. Participants demanded that the state government should not reverse the Karpoori formula. It was held that if the formula was replaced the most backward classes and backward class) would be clubbed together and, as a consequence the most backward class (MBC) stands to lose. The gathering comprised several ministers belonging to the most backward class. The wrath of these leaders was targeted at the initial announcement of Yadav that a commission would be set up to prepare the list of beneficiaries as required by the decision of the Supreme Court on the Mandal report. Further, delegate session of the Most Backward Caste Co-ordination Committee was held at Patna on February 15. About 200 delegates participated to launch a direct agitation demanding, among other things, a higher percentage of reservation for MBCs in government jobs. The participants at the session unanimously favoured a revision in the Karpoori Thakur scheme in such a manner that the MBCs would not lose. They demanded 16.5 per cent reservation to the MBCs in government jobs and criticised the 15 per cent reservation of government jobs for MBCs. There was a scuffle between supporters of the warring groups in the ruling JD, one led by Yadav and the other headed by Nitish Kumar on February 16 at Patna College seminar hall where Kumar had gone to address a meeting. Supporters of the chief minister held the field shouting the slogans 'Nitish hai hai', 'Nitish go back', 'Mandal virodhi vapas jao' and 'Laloo Yadav zindabad'. They were agitated over Kumar's campaign to unite the MBCs under one umbrella to protest against the violation of much publicised slogan of social justice which is alleged to have benefited yadavas only so far. Kumar had addressed at Patna the conference of MBCs like dhanuks earlier.

Political observers believe that though Nitish Kumar appears to be in the forefront, the real man behind the scene is another JD stalwart, Sharad Yadav. It was through the efforts of Sharad Yadav that a truce was hammered out between the chief minister and Kumar and a co ordination committee constituted. However, rumblings in the party continue.

Laloo Prasad Yadav was however able to successfully tackle the opposition of a section of the party members when he, finally, came out with the new formula largely allaying the fears of the MBC leaders. Kumar himself clarified that the new formula enhancing the percentage of reservation for the Annexure I and Annexure II categories was almost similar to what he wanted. He further said that there was no dispute over Mandal Commission and Karpoori Thakur formula.

Political Reactions

Many political parties and organisations have expressed their views on the introduction of the new reservation formula. Most of them are opposed to it. But there is no mobilisation of people yet on the issue. The protest is verbal and ritualistic in character. Some political parties have deliberately ignored it and some others have maintained a studious silence. Initially, sources in the Congress(I) and the BJP said that they would not 'repeat their past mistakes'. They knew that if they started agitations against the new scheme, the polarisation of upper castes and the OBCs would get further accentuated, as in case of the anti Mandal agitations, and the Yadav base would get further solidified.

But the leader of opposition in the state assembly, Congress(I) stalwart Jagannath Mishra, could not hold back his opposition to the new scheme. He criticised the hasty approval of the ordinance by the state cabinet on the ground that the verdict of the Supreme Court regarding the Mandal report had not been widely debated yet. He held that the amendment to the Karpoori Thakur formula on reservation was "untimely, irrational and against the verdict of the Supreme Court". He disparaged the chief minister for playing games with the MBC's and women on the issue of reservation. The new formula he held was against the views of Ram Manohar Lohia who stood for special treatment for women of all castes. In addition, he argued that the Mandal Commission recommendations were for the central services and, hence, the verdict of the apex court on this question would, in no way, affect the reservation policy in the states. The chief minister had, in his opinion, been playing into the hands of 'haves' among the backward castes and had done nothing for the depressed and most backward castes. Moreover, the Bihar Pradesh Congress(I) Committee (BPCC I) vehemently criticised the state government for 'discriminating' against the women and resolved to oppose the striking down of 3 per cent reservation in government jobs for the women belonging to all castes.

The BJP has really turned a blind eye to the recent ordinance. Party sources maintain that they will carry forward their Ram Mandir programme and will not fall prey to the trap laid by Yadav, by opposing the ordinance.

According to the senior Janata Dal (Ajit group) leader Ram Sunder Das, the Karpoori Thakur scheme was "more scientific and justifiable" in comparison with the Mandal Commission report in the present situation as it had job quotas for the poor among the upper castes and also for women. He clarified that neither he nor his party was against the Mandal report, however, the state government had no right to implement the Mandal Commission report without constituting a commission to categorise the backward castes and identify as per the directive of the Supreme Court for the purpose of exclusion, the 'creamy layer' among the backwards (*Hindustan Times (HT)* February 1, 1993).

The leader of the Bihar Rajya Atyant Pichhada Varg Evam Upekshit Samaj, Ramdhari Bind asserted that the manner in which the state government aimed at implementing the reservation norms was against the formula of social justice championed by the Janata Dal.

The Most Backward Castes Students Association of Bihar criticised the decision of the Laloo Prasad Yadav government to reserve 2 per cent of jobs for backward class women as a whole. The association held that it would be proper not to disturb the job quota of MBCs and provide 2 per cent reservation for women of reserved class in each category (MBCs and BCs) separately. Speakers at a seminar on 'Fight for Social Justice and the MBCs' organised by the association held that the MBCs were entitled to 16 per cent reservation in consonance with their ratio in the population of the state, but the new reservation scheme had restricted their quota to only 14 per cent. They considered this 'unfair' (*HT*, Patna, February 18). Speakers included Vinay Kanth, Ram Bali Singh, Navin Kumar Arya, U N Sinha, Kisori Das and Anil Kumar Das.

The Indian Peoples Front (IPF) and the Pragatisheel Mahila Manch denounced the state government for taking away 3 per cent of reservations for women in government jobs granted under the old formula. The cancellation of 3 per cent reservation for women drew strong protest from most women's organisations, particularly the Bihar Mahila Samaj (BMS). The general secretary of Patna district branch of BMS, Sushila Sahay regarded it a gross violation of the Supreme Court decision. She argued that Bihar's women formed more than 49 per cent of the state's total population and were socially economically and educationally backward with none or few incentives or avenue for advancement and warned that if the government did not retract this step there would be massive agitations. She made an appeal to women's organisations to unite and fight against the injustice done to Bihar women (*HT*, Patna, February).

It was only the leaders of Samajvadi Janata Party who fully approved of the new reservation formula implemented by the Laloo Prasad Yadav government. The state president, the secretary and the general secretary of the party, Ajit Kumar Mehta, Harendranath Prasad and Ram Sakal Singh reiterated their total commitment to the Mandal Commission report. They asserted that the Karpoori formula was tilted in favour of the upper castes. Other signatories to the press release to this effect included Hasan Manzoor Hasmi, Azmat Ali Khan and Nripendra Gupta (*HT* Patna, February 27).

Further, it is important to note that the Left parties like the CPI, the CPI(M) and the IPF have maintained a silence over the new reservation scheme. (The IPF has aired its opposition only to the changes made regarding reservations for women.) During the debates on the Mandal Commission report in the past, the CPI(M) had been insistent on exclusion of the relatively better off section of the OBCs from drawing the benefits of reservation. But its silence is ironical in the wake of the Laloo Yadav government removing the old provision of debarring through a rough economic criterion those people paying income tax from availing the benefits of reservation.

The nature of opposition to the new reservation scheme by the political parties and organisations has thus been very cautious. No effort has been made to mobilise affected people and launch a movement. It is obvious that the affected people, i e, the upper castes and also the political parties championing their interests have on the score conceded a defeat to the calculated and aggressive backward caste politics of the chief minister.

However all is not well with the legal justification of the step taken by Yadav who asserts that the new scheme of reser

vation has been necessitated and introduced in line with the verdict of the Supreme Court on the Mandal report. His measure is right to the extent that OBC reservation is constitutionally meant only for those who are socially and educationally backward and not for those who are backward on economic or gender lines. Hence, exclusion of the poorer (economic) upper castes from enjoying the benefits of reservation would be correct under the given constitutional provision. But the new scheme of reservation is constitutionally not valid in retaining reservation for SC, ST and OBC women. The verdict of the apex court nullifies reservation on the basis of sex. And Yadav is very much aware of it as is evident from his statements on the issue. But he has made reservation for backward class women.

Secondly, he has removed the income tax (economic) criterion which formed a part of the old scheme debarring income tax payers from the benefits of reservation. This goes against the decision of the apex court regarding exclusion of the 'creamy layer' of the OBC's from the advantages of reservation. The Yadav government should have first identified the 'creamy layer' of the OBC's and then implemented the new scheme. Or if he was in such haste, he should have retained the income tax criterion which could have prevented at least a part of the 'creamy layer' of the OBCs in Bihar from cornering the benefits of reservation. Apart from these important loopholes Yadav is not opposed to making a constitutional amendment providing reservation for the economically poorer upper castes. He needs to take a similar stance concerning reservation for women so that if he is not to be portrayed anti-(upper caste) women.

Lastly, Yadav has further consolidated his base among the OBCs by introducing the new scheme expanding reservation for them, allaying MBCs fears and completely excluding the upper castes from drawing any benefits of reservation. However, there would have been greater polarisation on caste lines benefiting Yadav, had there been agitations against his scheme by the upper castes. Obviously, Yadav has to think of other moves in his crusade against the age-old hegemony and domination of upper castes in Bihar. After all, he has to realise his ambition which he frequently reiterates at public meetings by using a picturesque Hindi proverb: 'Bees saal tak mai moong dalunga dushmano ke chhaati par' (translated literally, it means that he will continue to sit like a grinding stone on the chest of his enemies for 20 long years).

'Blacks against Blacks' Violence in South Africa

Rama S Melkote

A regime founded on racial segregation could only have survived by the use of force and not by democratic consent. For generations of Black Africans, hatred and violence have become part of daily existence. Not surprisingly, today, the two major issues in South Africa are township violence and the restructuring of a post apartheid society in the face of ethnic violence.

JEAN PAUL SARTRE in his preface to Fanon's *Wretched of the Earth* wrote "Fanon hides nothing, in order to fight against us the former colony must fight against itself: or, rather, the two struggles form part of a whole" [1]. He continues "when they are taught what shame and hunger and pain are, all that is stirred up in them is a volcanic fury whose force is equal to that of the pressure put upon them. You said they understand nothing but violence? Of course; first, the only violence is the 'settlers'; but soon they will make it their own; that is to say, the same violence is thrown back upon us as when our reflection comes forward to meet us when we go towards a mirror. As violence continues in South Africa (post-apartheid?), it is seen as a manifestation of 'Blacks against Blacks' phenomena the connotation of which should be obvious: 'the incapacity of Blacks to govern themselves'.

Recently it was revealed by the government appointed investigative panel that the South African Defence Forces (SADF) had hired a convicted murderer last year to lead a covert operation aimed at compromising members of the military wing of the ANC by using prostitutes, drug dealers and homosexuals. Even after the lifting of the ban on the ANC in February 1990 the 'dirty tricks' operation mounted by Military Intelligence went on from May through December 1991. The Bisho massacre and earlier to that the Boipotong massacres revealed the connivance of the South African regime in perpetuating violence which was conveniently seen as Black against Black violence. The two major issues that confront South Africa today are township violence and the restructuring of post-apartheid South Africa in the face of the 'ethnic conflicts'.

Concern with violence today cannot blur the past where lies the roots of the present. Colonisation of Africa has been anything but peaceful and colonialism in South Africa has the dubious distinction of having created a regime founded on racial segregation. Such a regime could survive by sheer force alone and not by democratic consent. Suppression and legal banning of all political opposition often gave rise to only one language—that of violence. The regime had no accoustics for any other. For generations of Black Africans, hatred and violence have become part of daily existence.

One cannot help going back to Fanon. "The native town is a crouching village, a town on its knees, a town wallowing in the mire. It is a town of niggers and dirty arabs. The look that the native turns on the settlers town is a look of lust, a look of envy; it expresses his dreams of possession—all manner of possession: to sit at the settlers table, to sleep in the settlers bed, with his wife if possible. The colonised man is an envious man. And this the settler knows very well; when their glances meet he ascertains bitterly, always on the defensive, 'they want to take our place'. It is true, for there is no native who does not dream at least once a day of setting himself up in the settlers place" [2].

Even a decade earlier the apartheid regime was unwilling to come to terms with majority rule. Its response to people's demands was repression and the imposition of emergency in 1985. Despite the banning of all political opposition in 1960s, by the end of the decade African nationalism erupted in the form of Black consciousness movement. Influenced by Black politics in the US and encouraged by National Party's policies of 'tribal colleges' and 'Bantu' education, the movement represented a restructured racial consciousness of Africanism. It was among students that it emerged when Steve Biko led Black students in the break with the multi-racial, but predominantly white and English-speaking National Union of South African Students (NUSAS). He formed the South African Students Organisation (SASO) among university

he high schools in the South African Students Movement (SASM). SASO embraced all non-white university students and preached black unity, black self-reliance and psychological liberation. The nchoate philosophy of Black consciousness was the tentative framework for organising black youth under the leadership of Steve Biko and others [2]. A different style of politics to the non-racial inclusive of axioms that were characteristic of campaigns of the ANC and its 'congress alliance' in the 1950s emerged. Politics of public protest was reintroduced and a whole new generation began to grow n the 1970s that was imbued with a sense of rebellion, self-assertion, and believed n itself, its rights and its ability to fight for a better future. The process culminated n the Soweto uprising of June 16, 1976. This was in a way, the take-off of the youth factor in liberation movement of South Africa.

A conscientised youth outstripped the older generation in their militancy and began to act independently of them. The immediate cause for June 16 was the protest march of some 10,000 youth in Soweto against the introduction of instruction in Afrikaan as well as English in urban black schools. The response of the regime was violent, following exchanges between pupils and security forces killing between 600 and 1,000 Black people—many of them children in different parts of South Africa. The regime had to reckon with the political potential of the vast poor of angry young Blacks, but not by conceding to their demands or entering into a dialogue but by seeking to root out student and pupil leaders and ensure that there was no repetition of the rebellion—leaders were arrested and even sent to Robben Island, Biko died in detention and SASO and SASM were banned. By then the youth had moved on from purely educational grievances to broader resistance to apartheid and proved that direct mass resistance was possible. The Azanian Peoples Organisation (AZAPO) was formed in 1978 as a successor to the proscribed Black consciousness structure and the mass organisation to embrace the Freedom Charter of 1955 Congress of South African Students (COSAS) was formed in 1979. The COSAS aggressively promoted the nationwide 'Free Mandela' campaign. Youth were now involved in consumer boycotts, rent strikes, and solidarity action with Trade Unions and COSAS paved the way for a new phase of resistance politics. The year 1980 witnessed intensified political activity and the youth involved manifested a deeper grasp of and concern with political ideology and strategies. Youth and comwhere. In 1983 these structures came together in the broad-based umbrella resistance movement of the United Democratic Front which consisted of several hundred affiliate groups. The structure of UDF lent itself to decentralisation and encouraged localised initiatives. Black consciousness and left-wing groups opposed to the Front coalesced in the National Forum, with a socialist element added to its ideology. The adherents styled themselves as 'anti-racist' as opposed to non-racial and excluded whites. By 1984 an unprecedented popular rebellion against the South African state was mounted and took a variety of forms The militancy of the youth was such that even five-year old were engaged in the struggle. "It is shocking the extent to which children turned into daredevils Soldiers meant only teargas to them, policemen only enemy target. There was such a great contrast with the young whites, still playing with toys and pestering their mothers for popcorn and icecream" [2]. The days of insurrectionary politics had begun.

As the regime's only response was blatant repression—mass detentions, killings and forcing members underground—student organisations were deprived of their leadership and ties that linked political groups in a loose but coherent organisational network. Democratic procedures and debates which had become an article of faith for the majority of youth organisations eroded and seen as 'unaffordable luxury' in the face of blatant repression. When emergency was declared in 1985 a large number of angry youth activists were dislocated from a necessary process of political education and development. While the youth were in the forefront of the struggle, they were the first to be detained and first to be shot. Increasingly the more daring ones regarded themselves as leaders of the struggle and took upon themselves to enforce compliance by brutal means—the most gruesome of them 'the necklace'—placing of a rubber tyre, filled with petrol, around a victim's neck before setting it alight. In March 1985 a community councillor was assassinated in this fashion. The phenomenon of power of youth in township life raised many issues for the adults of black communities. While they supported the youth in their struggle for freedom, many were disappointed of their brutal methods. The belief that freedom was round the corner and the willingness to die for it created various levels of activity which were not always well debated and blurred their creativity at times. Detained leaders were replaced by younger, more radical and militant activists often lackyouth became an irreplaceable factor in South African political life. It is this generation of Africans that the older leaders particularly those who have returned from exile or from prison have to work with

The attempts of parents and elders to bring the youth back to schools succeeded only partially. Rivalry between resistance groups and bloody feuds between youth organisation on the one hand and township gangs or 'vigilants' on the other, 'revenge' killings became the order of the day. While the elders acknowledged with pride that their children refused to live under apartheid they also sadly recognised that they had "the knowledge of how to die, and how to kill" The response of the state was once again to reimpose law and order by declaring national emergency on June 12, 1986 giving the police and security forces *carte blanche* in dealing with the troublesome youth. Forty per cent of the detained (of about 22,000) immediately following emergency were under the age group of 18 The one interesting spin-off of unprecedented repression was the tactical alliance between warring comrades— the Soweto Students Congress (supporters of Freedom Charter) and the Azanian Students Movement of Black consciousness. The realisation that the struggle was a protracted one and that they need to organise themselves and in relation to other sectors of resistance particularly workers led to the underground launching of South African Youth Congress (SAYCO), the country's largest ever youth grouping. SAYCO pledged to be a part of "class alliance of workers, community, women and student organisations with principles similar to ours".

The students and youth movement in South Africa has accelerated the liberation movement and put the apartheid regime in a state of alert. Yet liberation itself was not to come by easily. The psychological brutalisation, 'vigilanteism' and the use of 'hit squads' demand a bloody price from black youth

Ethnic Violence

'Ethnicity' 'ethnic conflicts' in South Africa today are as much a legacy of the apartheid system as poverty, population relocation, death and illiteracy "However, the depth of ethnic identification and its manipulation for political ends will be less easy to wipe away. Political manipulation of ethnicity has permeated the very transmission of ideas; ethnicity has informed the actions of South Africans over many years because it seemed to make sense of the every day world" [3].

However, ethnicity is not an African

'communal', 'national' identities are unfolding in various ways, often violently, ethnic conflicts called 'tribalism' in Africa are no exception. The present conjuncture in South Africa is ripe for political mobilisation of ethnic identities as the country limps painfully towards freedom—a post-apartheid state. Ethnicity has been used by the apartheid regime to divide the African population, to keep them segregated resulting in Federal and Bantustan policies. Bantustan politician such as Ntsanwisi and Buthelezi use it to mobilise opposition to a unitary South Africa. Within the national liberation movement, there are divergent opinions and attitudes—one wing calling for the denial and suppression of ethnic diffrences in the cause of national unity and the other wing recognises the power of ethnicity as an instrument for political mobilisation at the regional level. The Freedom Charter of the ANC holds that while they denounce tribal pride, they are not indifferent to traditions, languages and cultures of individual ethnic groups [4].

Whether ethnic identities are 'imagined', or 'historically constructed', it is important to ask why identities become important at one particular juncture and not at another. Faced with the demand for liberation, the apartheid regime is fighting its last battle by once more using ethnic divisions for political mobilisation to create a federal South Africa with a central government economically and politically weak. The 'homelands' were reproducers of cheap labour for the apartheid regime. But once it lost control of homelands, it gave up homeland policy. In April 1990 six homeland leaders pulled out of important talks with president de Klerk at the behest of ANC and by 1991 National Party abandoned the homeland policy. Having abandoned the policy, the regime supports opposition to ANC-led liberation struggle brazenly as is evident from the revelations in November that South African military intelligence has been channelling weapons to Inkatha from Mozambique's right-wing guerrillas of Renamo, is a part of the overall strategy of the South Africa regime designed to stop the ANC from coming to power.

In 1959 the policy of ethnic fragmentation of National Party was given legislative form in the promotion of Bantu Self-government Act The Zulu identity which existed in looser form in the 1950s was later carefully nurtured by Buthelezi who claimed to be destined to lead a 'Zulu Nation' that pre-existed apartheid and colonialism. Buthelezi refused to follow the politically suicidal route of 'independence' for the Kwazulu 'homeland'. In 1972 the Zulu land Territorial Authority became the Kwazulu Legislative Assembly and in 1975 Inkatha Freedom Party was formed. The balancing act between a regional Zulu mobilisation, and an African nationalist mobilisation tilted in favour of the former by the end of 1970s. In 1986 the Indaba Constitution was drawn up and made provision for chiefs to play an important role, provided for 'a council of chiefs' for 'tribal authority' to remain as a form of local government and for the existence of tribal police. The process of politicisation of Zulu ethnic identity took several forms—invocation of Zulu 'history', Zulu nation, and the ideology of Zuluness, that became the core of Inkatha Syllabus in schools. It "sanctioned superiority based on sex, age and social position and reproduced the whole set of authoritarian and hierarchical relations found in Zulu society". With the unbanning of the ANC and other political parties and release of Nelson Mandela, ethnic mobilisation within Inkatha Strategy has not only increased but takes the form of violent confrontation with those who oppose it and co-operation with the apartheid state in defending privileges inextricably tied to the Bantustans.

"Ethnic social identities and ethnic group consciousness have now been tied inextricably to violence in South Africa. The racism of colonial conquest and slavery and the years of segregation in the Union of South Africa; the sacred history of the Afrikaner volk with its claims to a God-given mission in Africa; and the vicious consequences of the implementation of apartheid—a policy based on separation—all these repressively enforced 'group politics' have involved violence [3]

Six homeland chiefs pulled out of important talks with president de Klerk in April 1990 at the behest of the ANC. Of them, General Bantu Holomisa of Transkei is seen as the strongest supporter of ANC [5]. Transkei, the first 'independent' Bantustan in 1976, was ruled dictatorially by Mantanzima until 1987 when Holomisa took over. The change of policy of the apartheid regime towards Transkei was evidently to punish Holomisa for his support to ANC. The government of Pretoria stopped paying its R200 million share of Southern African customs union unless Transkei withdrew its ban on South African Sorghum Beer. Threats from apartheid government continued and by August 1990 hundreds of Transkeians were killed by Inkatha and South African police. In Ciskei Brigadier Oupa Gqoza captured power from Lennox L Seba in 1990 after the release of Mandela. Pik Botha manoeuvred to restructure the government and change the Constitution to reincorporate Ciskei into South Africa in February 1991. South Africa ruled Ciskei with an iron hand since the emergency of November 1991. People of course did not figure anywhere in these transactions.

While 'Zuluness', 'Zulu identity' may not be seen purely in terms of the outcome of articulations of peripheral economies with the centre, it can hardly be doubted that the manipulations of the apartheid have contributed more than any other factor to the creation of separatism of the Inkatha Freedom Party and its confrontationist attitude to the ANC and CODESA talks. Federalism that it supports is precisely what the white minority would like. In the attempt to build a post-apartheid state that would not shed white capitalist market economy and yet maintain the facade of Black majority government politically free, the Inkatha Freedom Party, those African chiefs who have been carefully nourished by Pretoria are important allies. Violence in Black townships mainly between the warring Inkatha Freedom Party and the ANC, the increase in crime rate not only by Blacks, but by Whites as well marks the South African scene today. But there is a difference. Violence of Black Africans is seen as 'tribalism'. Violence by state security agents, of SADF is justified for 'reasons of state'. What worries the regime is the increase in White crime not only by the neo-Nazi AWB but by White youth, thieves, women shop-lifters, etc. Economic factors may be blamed for the explosion of White crime, but what is appalling for the White policemen and detectives is the dilemma of investigating these crimes, particularly when a White youth gets caught or killed by Black security personnel. As the sense of powerlessness, disempowerment of the White male increases, with no apartheid laws to protect them, their anger is directed against the most vulnerable—women, children, old people and blacks. It is said that "at the police dog training centre in Pretoria, the Alsatians are no longer trained to bite just Blacks".

References

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[2] See, Shaun Johnson (ed), *South Africa—No Turning Back*, Macmillan Press, 1988.

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[4] See Shula Marks, 'Patriotism, Patriarchy and Purity: Natal, and the Politics of Zulu Ethnic Consciousness' in Le Roy Vail, *The Creation of Tribalism in Southern Africa*, University of California Press, pp 215-40.

[5] J B Pieres, 'The Implosion of Transkei and Ciskei' in *African Affairs*, 1992, 91, pp 365-87.

[6] Richard Ellis 'Wave of White Crime Rattles South Africa', *The Times of India*, November 13, 1992.

India's External Debt

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THE quality of official statistics on India's external debt has shown a noticeable improvement recently, thanks to the insistence of the IMF and the World Bank on being provided comprehensive and up-to-date information on different aspects of the Indian economy as part of the stabilisation and structural adjustment programmes. Compared to the earlier attempts at obfuscation and concealment, the government is now having to come out with data on different dimensions of external debt—multilateral and bilateral aid, commercial borrowings of different types, export credits, IMF borrowings, NRI deposits, rupee debt, loans for defence purchases and short-term debt.

Hitherto there used to be significant differences in debt statistics published by the Reserve Bank of India (RBI) and the government of India (GoI). There were also differences between the estimates released by the Indian authorities and those of international agencies, namely, the World Bank, the IMF, the Institute of International Finance (IIF), the Organisation for Economic Co-operation and Development (OECD), and the Bank for International Settlements (BIS). Though there was no formal definition of external debt until 1988 when an International Working Group on Debt Statistics provided an exhaustive definition, there was general agreement that all outstanding liabilities owed to non-residents repayble with or without interest constituted external debt and that, within it, liabilities with an original or extended maturity of above one year represented medium- and long-term debt and those with a maturity of one year or less short-term debt. It was the World Bank's Debt Reporting System which was one of the early initiators of debt data and gave currency to such a definition with the emphasis on repayment of liabilities in either foreign currency or goods or services.

Until now the debt figures released by the Indian authorities (RBI and GoI) have invariably been significantly lower than those published by the international agencies. First, the Indian authorities were reluctant to include NRI deposit liabilities in debt. It was presumed that the NRIs, with strong local links, would renew the bulk of their deposits from time to time and eventually utilise the proceeds, including interest income, locally. Apart from the conceptual problems with this approach, the massive withdrawal of NRI deposits after the 1990 Gulf crisis exposed how unreal was the presumption on which it rested. Second, on supposed security considerations, data on defence debt were kept a secret by the government. Third, the official agencies did not have, until 1991, the details of short-term debt, including bank exposures and suppliers' credits. Finally, differences in valuation have also given rise to non- comparability of official debt statistics with those of international agencies. While the official agencies follow the foreign currency to rupee to US dollar route for conversion, the World Bank's Debt Reporting System, for instance, uses the IMF cross rates for directly converting original currency values into US dollar equivalents.

The differences between debt data put out by the RBI and those published by the government have been essentially due to differences in data sources. The variations in the estimates of the different international agencies have been due to differences in sources of data, coverage and valuation of debt. While the World Bank, IMF and IIF get country reports, BIS and OECD use a mixture of creditor and debtor reporting systems. OECD includes non-civilian or defence debt whereas the World Bank includes it only to the extent reported by the debtor country. OECD includes debt denominated in the domestic currency and use of IMF credits. While the World Bank includes accrued interest on NRI deposits, OECD and IIF do not do so.

The Reserve Bank's Policy Group and Task Force on External Debt Statistics of India (1992) tried to reconcile these differences and suggested that while it was not possible to always accept the procedures of the international agencies nor hope to change them, the aim should be to ensure that the data put out by the RBI and the GoI are generally consistent and uniform and that debt statistics are presented in such a detailed and transparent manner that users are able to identify the sources of divergence of data from different agencies. The Task Force has suggested that India's external debt should cover (i) all government and non-government loans from abroad, bonds raised from international capital markets, some revalued balances under IBRD pooled loans and exchange adjustments in respect of pre-1971 IDA credits, convertible debentures until they are converted into equity, use of IMF credits, and export credits including those extended by foreign official export credit agencies; (ii) non-resident deposits with an original maturity of over one year including accrued interest on FCNR deposits; and (iii) short-term credits consisting of bank exposures, suppliers' credits and NRI deposits up to one year maturity. The Policy Group and the Task Force have suggested that where there are grey areas, the data could be presented as memorandum items. An example was the bilateral rouble and rupee credits owed to the erstwhile USSR and the east European countries, respectively. The Policy Group Report argued that though they constituted debt and had the same macro-economic implications requiring transfer of goods and services out of the country to service the debt, they had no direct impact on foreign currency reserves. Hence they could be shown as memo items in all debt statistics. The report suggested transparency and similar treatment for defence debt considering (a) the actual payments for defence debt are shown in the government budget documents, (b) international institutions anyway gain access to these data following globalisation of financial transactions, though their figures are a combination of some conjecture and some hard facts, and (c) debt discharge obligations and macro-economic management require full knowledge of aggregate debt, their maturity and terms. Also, with the exception of NRI deposits all short-term credits up to six months' maturity had to be excluded from even short-term debt as these transactions were basically trade-related

Debt Estimated at $87 Billion

The revised statistics put out by the government show the country's external debt to be significantly larger than indicated by earlier estimates. Excluding defence debt and civilian rupee/rouble debt as also short-term debt of less than six months' duration, India's external indebtedness has risen from US $53.9 billion (Rs 85,500 crore) at the end of March 1989 to $67.58 billion (Rs 199,000 crore) at the end of March 1992, i e, at the rate of about $4.5 billion a year. Quick estimates up to September 1992 show a further rise to $71.11 billion. As a proportion of GDP, the country's foreign debt rose from 19.8

per cent in 1988 89 to 30 1 per cent in 1991 92 [1] But, as indicated above, this does not include the memorandum items namely short term debt of less than six months maturity civilian rouble debt and defence debt from both the general currency area (GCA) and the rupee payment area (RPA) The special arguments adduced for their exclusion from debt cannot stand theoretical or operational scrutiny The outstanding amount of all contractual liabilities to non residents to be repaid with or without interest or, as the World Bank has emphasised, any debt repayable in either foreign currency or goods or services constitutes debt at any point in time. Debt may have different components—concessional or on normal terms, short term or long term, against marketable or non marketable instruments—but they all constitute debt Even debt denominated in rupees involves transfer of goods and services to service it The all inclusive estimate of India's aggregate external debt would touch $82 billion as at the end of March 1992 and nearly $87 billion as at the end of September 1992 As percentage of GDP in 1991 92, the aggregate external debt as at the end of March 1992 was 38 8 per cent As percentage of exports total debt has shot up to 312 per cent in 1991 92 from 274 per cent four years earlier Inclusive of the memorandum items mentioned above, the proportion of aggregate debt to exports would rise to 371 per cent for 1991 92 (Table 1)

No More Moderately Indebted

External debt statistics published by the government on a comparable and consistent basis are available only for a relatively short period, from the end of March 1989 (Table 2) Amongst the multilateral agencies, the World Bank has been publishing, based on official returns as well as creditor sources, fairly comprehensive external debt data —except for the limited coverage of non civilian debt [2] Unlike the Indian official agencies in the past, the World Bank has been including both short term debt and NRI deposits along with accrued interest on such deposits in debt outstanding and in debt service As per these statistics, India's external debt as a percentage of GNP has more than doubled from 12 6 per cent in 1981 82 to 29 2 per cent in 1991 92 and as percentage of exports of goods and services from 137 per cent to 294 per cent (Table 3) Taking government of India's revised data for total debt for 1991 92, the ratio of debt to GDP was 32 6 per cent and of debt to exports 312 per cent The differences are explained by (i) use of GNP by the World Bank and of GDP in the Indian official statistics, (ii) inclusion of official grants as part of the exports of goods and services by the World Bank and their exclusion by the official agencies, and (iii) non inclusion of debt service on account of IMF credits by the World Bank Another source of difference lies in the valuation of debt denominated in different currencies, though the exact direction of this difference is difficult to discern due to the varied nature of fluctuations in exchange rates Incidentally, as flow data are converted at period average exchange rates and stock data at period-end exchange rates, over the period variations in debt outstanding may not equal net flows (disbursements less amortisation) or net transfers on debt (net flows minus interest payments)

Be that as it may, India's external debt has assumed alarming proportions The World Bank continues to classify India as a moderately indebted low-income country, but this is on the consideration that India has a large share of concessional debt The World Bank's estimate of the present value of India's debt (defined as the discounted value of future debt service, taking as discount rates the normally accepted interest rates such as the OECD export credit rates, the World Bank's normal lending rates and the currency specific market rates) works out to $56 456 billion as against the actual debt of $71 557 billion in 1991 92—a downward adjustment of about 21 per cent This favourable situation is unlikely to last for long as the proportion of concessional debt in the country's total debt has steadily declined from about 75 per cent in 1980-81 and 60 per cent in 1982-83 to 41 6 per cent in 1991 92 (Table 3) The share of private creditors, NRI deposits, and World Bank loans at market-related rates of interest has risen The share of private creditors in total debt has gone up from about 10 per cent in 1981 82 to 40 per cent in 1991 92 Above all, in India's case, the acceptable threshold level of 220 per cent for the present value of debt to exports ratio has been crossed though the present value of debt to GNP ratio of 80 per cent specified as critical is yet to be reached Interestingly, in its latest *World Debt Tables. 1992 93*, the World Bank has clarified that "lowering the critical values by 5 per cent would add [along with a few other countries] India to the severely indebted group " (p 129) But it is a moot point whether for a large-sized economy such as India's with the external sector having a relatively low share in GDP, the latter norm is at all relevant

Negative Net Flows

As a result of the growing debt service burden, there has occurred a steady decline in net flows and net transfers through debt (Table 3) But for the $1 6 billion inflow under the India Development Bonds in 1991 92, net transfers would have been negative in that year, as was close to happening in 1990 91 Negative net flows already mark external commercial borrowings (Table 4) and net transfers on account of external assistance have begun to taper off (Table 5)

A significant aspect of net flows turning negative is its impact on the central government's budget (Table 6) Considering that future debt service payments will have to be at current exchange rates, the implications for net receipts in the government's budget will be serious in the very near future. At the end of March 1992, the outstanding external public debt valued at the current exchange rate (Rs 1,09,608 crore) was three times the value of debt measured at historical exchange rates (Rs 36,948 crore)

The projection of debt service payments (Table 7) brings out the implications of growing debt service for BoP Debt service payments are likely to be about $8 to 9 billion in each of the next five years and when the India Development Bonds mature in 1996-97 there will be a sizeable additional burden Besides, a part of the debt incurred in 1991 92 which is not included in the above data will also mature in 1995-96 or thereabout

Comparison With China

A striking success story in managing external finances is that of the People's Republic of China Despite a low level of concessional debt (ranging from 15 to 18 per cent as against India's over 70 per cent in the 1980s and over 40 per cent even now) and of multilateral aid (10 to 12 per cent compared to over 30 per cent for India), China's external debt as a proportion of exports has remained, remarkably low at 90 per cent compared to 312 per cent for India Also, despite such limited dependence on external debt, China has achieved an export level of $70 billion in 1991 compared with India's $24 billion in 1991 92

Notes

1 The government of India's *Economic Survey, 1992-93* has grossly under-estimated this proportion at 27 3 per cent in 1991 92 (p 118) The corresponding figure put out by the RBI, apparently based on the old method, is 31 7 per cent for medium and long term debt plus all NRI deposits or 33 1 per cent for total debt including all short term debt (see RBI, *Report on Currency and Finance, 1991 92*, p 412)

2 The data now released by the government, as tabulated and presented in Table 1, are the most comprehensive of all the available estimates

Table 1: India's External Debt -- Summary

	Rupees Crore					US $ Million				
	End March				End Sept	End March				End Sept
	1989	1990	1991	1992	1992	1989	1990	1991	1992	1992
1 Multilateral	27,535	32,866	40,386	68 226	65 36	17,560	19 164	20,900	23,090	23,899
	(32 6)	(32 8)	(32 8)	(34 3)	(33 8)	(3 6)	(3)	(33 0)	(34 2)	(33 6)
(a) Concessional	19,333	21,760	25 849	40,990	41 899	12 304	1 6 2	13 377	14,320	15,013
2 Bilateral	20,189	23,029	27,430	47,655	46 8 9	12 85	13 58 5	14,19	15,486	16,004
(a) Concessional	17,640	19,480	23,117	40 423	39 149	11 236	11 510	11 963	13 119	13,427
3 Total of concessional [1(a) + 2(a)]	36,973	41,240	48,966	81,413	81 048	23 540	24 18	25 340	27,439	28,440
	(43 8)	(41 1)	(39 8)	(40 9)	(39 9)	(43)	(41)	(40 0)	(40 6)	(40 0)
4 IMF	3,696	2,572	5 132	8,934	10 830	2 365	1 49	2 623	3 451	4,183
5 Export credit	4,069	4,16	4,553	7,374	8,685	2 597	2 441	2 356	2 375	2 917
6 Commercial borrowings	12,803	15 988	19,727	35,664	36 190	8 176	9 31	10 209	11 700	12,271
	(15 2)	(15 9)	(16 0)	(17 9)	(17 8)	(15)	(15 9)	(16 1)	(17 3)	(17 2)
7 NRI and FC (B and O) deposits [above one year maturity]	10,109	12 269	14,039	15 83	15 36	6 463	6	7 10	5 608	5,687
(a) NRI deposits	10,109	12 26	13 852	15 185	15 044	6 463	6 1	6 1	5 358	5 382
(b) FC (B and O) deposits	0	0	187	647	792	0	0	9	250	305
8 Long-term debt (1 to 7)	78 401	90 911	1 11 267	1,83 725	1,86 981	50 013	53 149	57 390	61 710	64 961
9 Short-term debt	6,091	9 465	11,683	15,242	15,991	3 892	5 48	6 006	5 868	6 149
(a) NRI deposits (up to one year maturity)	4,045	5 56	6,902	6 494	6 492	2,586	3 33	3 572	2 489	2 480
(b) FC (B and O) deposits (up to one year maturity)	0	0	328	924	4 419	0	0	167	35	1,707
(c) Others above six months	2,046	3,903	4,453	7 824	5,080	1 306	1 953	2 267	3,022	1 962
10 Total debt [8 + 9]	84,492	1 00,376	1 22 950	1,98,967	2,02,972	53,905	58 63	63 396	67,578	71,110
Additional Items										
11 Short term debt of less than six months	1,695	3,472	4,976	438	4 044	1 052	004	1 533	169	1 562
12 Civilian Rouble debt	1,418	1,705	2,207	3,090	3,109	914	995	1 149	1 194	1 201
13 GCA defence debt [US $ 2,176 million]				5 634	5 634				2,176	2,176
14 Rouble defence debt [Rouble 8,899 million]				28 288	28,288				10 926	10 926
15 **Aggregate debt [10 to 14]**				2 36 117	2 44 047				82 043	86 975

Key Debt Ratios	1988 89	1989 90	1990 91	1991 92
16 Debt as percentage of GDP at current market prices				
a Long term debt	19 8	20 0	21 0	30 0
b Total debt	21 3	22 1	33 2	42 6
c Aggregate debt				44 6
17 Debt as percentage of exports*				
a Long-term debt	254	229	238	289
b Total debt	274	253	263	31
c Aggregate debt				3 1
18 Debt service ratio [debt service** as percentage of exports]	26 3	24 9	25 2	26 2

* Exports of merchandise and gross invisible receipts excluding official transfers

** Includes accrued interest on non resident deposits

Not available

Note Figures within brackets are percentages to total debt

Source (i) Government of India's *Economic Survey, 1992 93*

(ii) RBI, Reports of Policy Group and Task Force on External Debt Statistics of India (1992) and our estimates

Table 2: India's External Debt
(Revised Classification)

		Rupees Crore					US $ Million				
		End March				End Sept	End March				End Sept
		1989	1990	1991	1992	1992	1989	1990	1991	1992	1992
I	Multilateral	27,535	32,886	40,386	68,226	68,548	17,560	19,164	20,900	23,090	23,899
	A Government borrowing	26,719	32,575	38 429	63,787	63,807	17,004	18,399	19,887	21,651	22,318
	i Concessional	19,333	21,760	25,849	40,990	41,899	12,304	12,672	13,377	14,320	15,013
	a IDA	18,477	21,055	25,221	40,017	41,090	11,759	12,261	13,052	13,974	14,714
	b Others	856	705	628	973	809	545	411	325	346	299
	ii Non concessional	7,386	9,815	12,580	22,797	21,908	4,700	5,727	6,510	7,331	7,305
	a IBRD	7,362	9 752	12,161	21,134	20,246	4,685	5,690	6,293	6,796	6,751
	b Others	24	63	419	1,663	1,662	15	37	217	535	554
	B Non government borrowing	816	1,311	1,957	4 479	4,741	556	765	1,013	1,439	1,581
	i Concessional	0	0	0	0	0	0	0	0	0	0
	ii Non concessional	816	1,311	1,957	4 479	4,741	556	765	1,013	1,439	1,581
	a Public sector	130	158	303	962	0	83	92	157	308	0
	i IBRD	130	158	303	962	0	83	92	157	308	0
	ii Others	0	0	0	0	0	0	0	0	0	0
	b Financial Institutions	409	799	1,270	2,811	4,646	296	465	657	904	1,549
	i IBRD	278	503	872	1,720	3 272	178	292	451	553	1,091
	ii Others	131	296	398	1,091	1 374	118	173	206	351	458
	c Private sector	277	354	384	706	95	177	208	199	227	32
	i IBRD	274	313	330	628	0	175	184	171	202	0
	ii Others	3	41	54	78	95	2	24	28	25	32
II	Bilateral	20,189	23,029	27,430	47,655	46,889	12,852	13,585	14,195	15 486	16,004
	A Government borrowing	17,640	19,480	23,117	40,423	39 149	11,236	11,510	11,963	13,119	13,427
	i Concessional	17,640	19 480	23,117	40,423	39 149	11,236	11,510	11,963	13,119	13,427
	ii Non concessional	0	0	0	0	0	0	0	0	0	0
	B Non government borrowing	2,549	3,549	4 313	7,232	7 740	1,616	2,075	2,232	2,367	2,577
	i Concessional	398	441	514	928	1 179	242	261	266	348	393
	a Public sector	40	7	0	0	0	26	4	0	0	0
	b Financial Institutions	354	431	514	928	1,179	214	255	266	348	393
	c Private sector	4	3	0	0	0	2	2	0	0	0
	ii Non concessional	2,151	3 108	3 799	6,304	6,561	1,374	1,814	1,966	2 019	2 184
	a Public sector	1,702	2,581	2,957	4,472	4,586	1,087	1,507	1,530	1 432	1 526
	b Financial Institutions	196	271	527	1, 236	1,391	125	158	273	396	463
	c Private sector	253	256	315	596	584	162	149	163	191	195
III	IMF	3,696	2 572	5 132	8,934	10,830	2,365	1 493	2 623	3 451	4,183
IV	Export credit	4 069	4,167	4,553	7,374	8,688	2,597	2,441	2,356	2,375	2 917
	A Buyers credit	1,958	1,877	2 230	3,566	3 771	1 251	1,096	1,154	1 142	1 255
	B Suppliers credit	1 049	950	933	1,380	1 925	670	555	483	442	641
	C Export credit component of bilateral credit	1 062	1 340	1 390	2,428	2,992	676	790	719	791	1 021
V	Commercial borrowing	12,803	15,988	19 727	35,664	36,190	8,176	9,335	10,209	11,700	12,271
	A Commercial bank loans	9,815	11,453	13,200	20,933	20,333	6,268	6,687	6,831	6 704	6 769
	B Securitised borrowings (incl IBDs)	2 749	4,227	5 840	13,219	13,892	1,756	2 468	3,022	4 512	4 849
	C Loans/securitised borrowings etc with multilateral/bilateral guarantee										
	i IBE (W)	239	308	687	1 512	1 967	152	180	356	484	654
VI	NRI and FC (B and O) deposits (above one year maturity)	10,109	12269	14 039	15 832	15 836	6 463	7,131	7,107	5,608	5,687
	A NRI deposits	10 109	12 269	13 852	15 185	15 044	6,463	7,131	7 012	5,356	5,382
	B FC (B and O) deposits	0	0	187	647	792	0	0	95	250	305
VII	Total Long term debt (I to VI)	78,401	90 911	1 11 267	1,83,725	1 86 981	50 013	53,149	57,390	61,710	64,961
VIII	Short term debt	6,091	9,465	11 683	15,242	15 991	3 892	5,485	6,006	5,868	6,149
	A NRI deposits (up to one year maturity)	4 045	5 562	6 902	6 494	6 493	2 586	3,232	3,572	2,489	2,480
	B FC (B and O) deposits	0	0	328	924	4 419	0	0	167	357	1,707
	C Others (above 6 months)	2,046	3 903	4 453	7 824	5 080	1 306	2,253	2,267	3,022	1,962
IX	Gross total (VII + VIII)	84 492	1,00 376	1 22 950	1,98,967	2 02 972	53,905	58,634	63,396	67,578	71,110
X	Additional items										
	(i) Short term debt of less than 6 months	1,695	3,477	4 976	438	4 044	1 082	2,004	2,533	169	1,562
	(ii) Civilian Rouble debt*	1 418	1 705	2 207	3,090	3,109	914	995	1,149	1,194	1,201
		(783)	(856)	(943)	(972)	(978)					
	(iii) OCA defence debt				5 634	5,634				2,176	2,176
	(iv) Rouble defence debt (US $99 million roubles)				28,288	28,288				10,926	10,926
XI	**Aggregate debt (IX + X)**				**2 36,417**	**2,44 047**				**82,043**	**86 975**

* Figures within brackets are million roubles

Not available

Source Same as Table 1

Table 3: India's External Debt and Debt Services
(As at the end of March)

(US $ million)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
A: Debt Summary												
I Total Debt Stock	20,611	22,567	27,471	31,891	33,857	41,021	48,354	55 825	58,467	63,929	69,138	71,557
1 Long-term debt	18,709	19,810	22,134	24,542	26,545	33,060	40,289	48,283	52,122	57,674	61,716	64,315
(i) Public and publicly guaranteed	18,373	18,937	21,105	23,357	25,204	31,563	38,901	46,631	50,649	56,123	60,228	62,842
(ii) Private non-guaranteed	336	873	1,029	1,185	1,341	1,497	1,388	1,652	1,473	1,551	1,488	1,473
2 Use of IMF credit	977	1,553	3,446	4 713	4,456	4,832	4,768	4,023	2,573	1,556	2,623	3,451
3 Short-term debt	926	1,204	1,891	2,636	2,856	3,129	3,297	3,519	3,772	4,689	4,800	3,791
Memo export credits			2,352	1,815	2,018	2,452	3,348	3,485	4,623	5,014	6,684	6,975
4 Net flows on debt	2,438	2,281	3,937	3,213	2,765	2,548	2,440	3,078	3,393	3,818	3,903	3,547
5 Net transfers on debt	1,796	1,549	2,828	1,762	1,033	589	104	361	242	326	8	242
B: Debt Services												
II Principal Repayments	755	747	933	1,083	1,091	1,310	2,290	1,894	1,948	1,982	2,406	3,680
Public and publicly guaranteed	664	662	714	822	786	947	1,810	1,605	1,669	1,660	2,088	3,403
(i) Official creditors	585	575	600	595	544	652	844	1,108	973	1,094	1,205	1,436
(ii) Private creditors	80	87	114	227	242	295	967	496	696	566	883	1,966
(iii) Private non-guaranteed	91	85	219	261	305	363	480	289	280	322	318	278
Memo total commercial banks	125	127	283	415	483	565	1,258	583	704	638	674	690
III Interest Payments	532	549	788	933	1,025	1,373	1,794	2,170	2,631	3,012	3,369	2,702
Public and publicly guaranteed	502	512	662	803	887	1,219	1,636	2,023	2,504	2,872	3,234	2,585
(i) Official creditors	346	344	357	428	438	550	681	795	923	1,087	1,179	1,265
(ii) Private creditors	156	168	305	376	449	668	955	1,228	1,581	1,785	2,056	1,320
(iii) Private non guaranteed	30	37	126	130	138	154	158	147	127	140	135	116
Memo. total commercial banks	58	193	199	453	534	309	410	434	500	632	678	586
IV Debt Services	1,287	1,296	1,721	2,016	2,116	2,683	4,084	4,064	4,579	4,994	5,775	6,382
Public and publicly guaranteed	1,166	1,174	1,376	1,625	1,673	2,166	3,446	3,628	4,173	4,532	5,322	5,988
(i) Official creditors	931	919	956	1,023	982	1,202	1,525	1,903	1,896	2,181	2,383	2,701
(ii) Private creditors	236	255	419	602	690	964	1,921	1,725	2,277	2,351	2,938	3,287
(iii) Private non-guaranteed	121	122	345	391	443	517	638	437	406	462	453	394
Memo. total commercial banks	183	320	483	868	1,017	874	1,668	1,017	1,204	1,270	1,352	1,276
C.: Debt Ratios												
1 Total debt as percentage of exports	137	154	192	208	210	264	293	288	281	272	278	294
2 Total debt as percentage of GNP	11 9	12 6	14 9	16 0	17 5	19 3	21 4	22 0	21 7	23 9	23 7	29 2
3 Total debt services as percentage of exports	9 3	10 4	14 3	16 7	18 2	22 7	31 9	29 4	30 3	27 6	28 3	30 6
4 Concessional debt as percentage of total debt	75 1	68 5	59 7	53 5	51 0	48 6	46 3	44 8	42 4	40 3	39 8	41 6
5 Multilateral debt as percentage of total debt	29 5	32.0	31 2	30 7	30 9	30 2	29 5	29 7	30 9	30.8	31 5	33.5

Source The World Bank, *World Debt Tables* (for different years)

Table 4: External Commercial Borrowings*

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1991	Apr-Dec 1992
1	2	3	4	5	6	7	8	9	10
					(Rs Crore)				
1 Authorisations	1,700	1,396	2,654	4,314	5,479	3,414	5,276	1,559	4,806
2 Gross disbursements	1,799	2,474	2,252	4,069	4,196	3,050	2,714	1,406	1,668
3 Debt service payments	1,175	1,565	1,736	2,224	3,041	4,006	5,393	2,169	3,065
(a) Amortisation	565	796	871	1,103	1,455	2,137	2,898	1,112	1,825
(b) Interest payments	610	769	865	1,121	1,586	1,869	2,495	1,057	1,240
4 Net capital inflow (2 – 3a)	1,234	1,678	1,381	2,966	2,741	913	–184	294	– 157
5 Net capital transfers (2 – 3)	625	909	516	1,845	1,155	– 956	–2,679	– 763	–1,397
					(US $ Million)				
1 Authorisations	1,390	1,090	2,050	2,980	3,290	1,900	2,130	680	590
2 Gross disbursements	1,470	1,940	1,740	2,810	2,520	1,700	1,100	610	550
3 Debt service payments	960	1,220	1,340	1,540	1,830	2,230	2,180	940	1,010
(a) Amortisation	460	620	670	760	870	1,190	1,170	480	600
(b) Interest payments	500	600	670	770	950	1,040	1,010	460	410
4 Net capital inflow (2 – 3a)	1,010	1,310	1,070	2,050	1,650	510	– 070	130	– 50
5 Net capital transfers (2 3)	510	710	400	1,270	690	– 530	–1,080	330	–460

* Excludes borrowing up to 1 year maturity. The estimates are based on data base of ECB Division of the Department of Economic Affairs, Ministry of Finance. External commercial borrowing includes loans from commercial banks and other Financial Institutions, bonds and FRNS, suppliers' credit, buyers' credits and credits from export credit agencies of concerned governments, IFC(W), private sector borrowings from ADB, etc. This table does not include funds raised through India Development Bonds in 1991-92 ($ 1.63 billion)

Table 5: External Assistance

	1985 86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1991	1992
1	2	3	4	5	6	7	8	9	10
					(Rs Crore)				
1 Authorisations	5,650	6,160	9,265	13,070	10,826	8,123	12,707	6,724*	3,362*
2 Gross disbursements	2,936	3,605	5,052	5,304	5,802	6,704	11,615	7,582	6,077
3 Debt service payments	1,367	2,029	2,624	2,946	3,686	4,282	6,656	3,992	6,079
(a) Amortisation	776	1,176	1,581	1,646	1,987	2,329	3,650	2,151	3,247
(b) Interest payments	591	853	1,043	1,300	1,699	1,953	3,006	1,841	2,832
4 Net capital inflow (2 3a)	2,160	2,429	3,471	3,658	3,815	4,375	7,965	5,431	2,830
5 Net capital transfers (2 3)	1,569	1,576	2,428	2,358	2,116	2,422	4,959	3,590	– 2
					(US $ Million)				
1 Authorisations	4,620	4,820	7,150	9,030	6,500	4,530	5,510	2,920*	1,110*
2 Gross disbursements	2,400	2,820	3,900	3,660	3,480	3,740	4,690	3,160	2,000
3 Debt service payments	1,120	1,590	2,020	2,030	2,210	2,390	2,690	1,660	2,000
(a) Amortisation	630	920	1,220	1,140	1,190	1,300	1,470	900	1,070
(b) Interest payments	480	670	800	900	1,020	1,090	1,210	770	930
4 Net capital inflow (2 3a)	1,770	1,900	2,680	2,530	2,290	2,440	3,220	2,260	930
5 Net capital transfers (2 – 3)	1,280	1,230	1,870	1,630	1,270	1,350	2,000	1,500	—

* For the period April-September only.

Note : The data include government and non-government loans and grants (including food assistance but excluding other commodity grant assistance). These figures do not include suppliers' credits,commercial borrowings and IMF credits other than Trust Fund Loan.

Table 6: Government of India's External Public Debt

(Rupees crore)

Year	Loans Received during the Year	Repayments	Interest Payments	Total Debt Service [(3)+(4)]	Net Receipts [(2)−(5)]	Outstanding External Public Debt at Historical Exchange Rates	Outstanding External Public Debt at Current Exchange Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1986-87	3,040	1,016	766	1,782	1,258	20,299	..
1987-88	4,069	1,176	977	2,153	1,916	23,223	..
1988-89	4,016	1,556	1,242	2,798	1,218	25,746	
1989-90	4,443	1,848	1,494	3,342	1,101	28,343	..
1990-91	5,339	2,159	1,834	3,993	1,346	31,525	..
1991-92	8,279	2,858	2,704	5,562	2,717	36,948 (6.1)	109,608 (18.0)
1992-93 (RE)	9,173	4,743	2,916	7,659	1,514	41,218	..
1993-94 (BE)	10,549	5,095	3,946	9,041	1,508	46,453	..

Note : Figures in brackets are precentages to GDP at current prices.

Source: *Report of the Comptroller and Auditor General of India on Union Government—Civil* (for different years); and Budget papers.

Table 7: Projected Debt Service Payments on the Basis of Debt Outstanding as on March 31, 1991

(US $ million)

	Actuals			Projected				
	1988-89	1989-90	1990 91	1991-92	1992-93	1993-94	1994-95	1995-96
1	2	3	4	5	6	7	8	9
External assistance								
Principal				1,831	2,056	2,096	2,255	2,356
Interest				1,476	1,688	2,009	1,998	1,964
External commercial borrowing								
Principal				1,116	1,386	1,624	1,814	1,996
Interest				1,050	997	918	804	676
IMF								
Repurchases				483*	340	137	919	907
Charges				225*	175	148	136	71
NRI deposits FCNR								
Principal				3,362	1,592	1,258	626	–
Interest				505	328	178	59	–
NRI deposits NRER								
Principal				210	929	322	400	357
Interest				375	354	261	229	189
Total	6,069	6,226	6,816	10,633	9,845	8,951	9,240	8,516
Principal	3,159	2,944	3,206	7,002	6,303	5,437	6,014	5,616
Interest	2,910	3,282	3,610	3,631	3,542	3,514	3,226	2,900

* Actuals

Note : Principal repayments and repurchases are projected based on repayment/repurchase schedule. Interest payment on external assistance and commercial borrowings (those at fixed interest rates) are estimated based on the interest indicated in loan agreements. Interest on commercial borrowings (those at floating rates), FCNR/NR(E)A deposits and charges payable to IMF are estimated on the basis of the latest rates. Principal repayments under NRI deposits are based on a quick survey of selected banks.

Source: RBI: Reports of Policy Group and Task Force on External Debt Statistics of India (1992).

Table 8: External Debt of India and China — A Comparison

(US $ Million)

	India (End of March Each Year)									China (Calendar Year)								
	1981	1983	1986	1987	1988	1989	1990	1991	1992	1980	1982	1985	1986	1987	1988	1989	1990	1991
I Total Debt Stock	20,611	27,471	41,021	48,354	55,825	58,467	63,929	69,138	71,557	4,504	8,358	16,722	23,746	35,296	42,362	44,791	52 519	60,802
A Long-term debt outstanding	18,709	22,134	33,060	40 289	48,283	52,122	57,674	61,716	64,315	4,504	5,220	9,963	16,598	25,920	32,554	36,976	45,284	50,502
(1) Public and publicly guaranteed	18,373	21,105	31,563	38,901	46,631	50,649	56,123	60,228	62,842	4,504	5,220	9,963	16,598	25,920	32,554	36,976	45,284	50,502
(a) Official credits	16,316	17,788	22,601	26,200	30,167	31,027	33,536	36,735	40.344	447	1,536	4,724	7,028	9,495	10,533	12,015	14,466	17,041
(i) Multilateral	6,070	8,562	12,400	14,268	16.588	18,061	19,664	21,784	23,992	0	1	983	1,810	2,852	3 753	4,761	6,076	7,527
Of which Concessional	5,400	7,344	10,208	11,002	12,113	12,518	13,003	13,839	14,765	0	1	468	829	1,410	1,906	2,366	3,084	3,726
(ii) Bilateral	10,246	9,227	10,201	11,932	13,579	12,966	13,872	14,951	16,352	447	1,535	3,741	5,218	6,642	6,780	7,254	8,390	9,514
Of which Concessional	10,083	9,052	9,708	11,382	12,911	12,259	12,788	13,709	14,997	24	489	1,987	2,863	3,895	4,398	5,458	6.597	6,988
(b) Private creditors	2,056	3,317	8,962	12,701	16,464	19,622	22,587	23,492	22,498	4,057	3,685	5,239	9,570	16,425	22,010	24,961	30,818	33,461
(2) Private non-guaranteed	336	1,029	1,497	1,388	1,652	1,473	1,551	1,488	1,473	0	0	0	0	0	0	0	0	0
Memo: total commercial banks	800	1,800	3,693	4,672	6,421	7,237	7,985	8,428	8,540	1,514	369	802	1,806	6,111	10,417	11,446	14,507	14,830
B Use of IMF credit	977	3,446	4,832	4,768	4,023	2,573	1,566	2,623	3,451	0	838	340	1,072	1,155	1,013	908	469	0
C Short-term debt	926	1,891	3,129	3,297	3,519	3,772	4,689	4,800	3,791	0	2 300	6,419	6,076	8,221	8,806	6,907	6,766	10,300
II Debt Ratios																		
1 Total debt as percentage of exports		192	264	293	288	281	272	278	294		33	56	77	88	89	90	87	87
2 Total debt as percentage of GNP		14 9	19 3	21 4	22 0	21 7	23 9	23 7	29 2		3 0	5 7	8 5	11 6	11.2	10 6	14 2	16 4
3 Total debt services as percentage of exports		14 3	22 7	31 9	29 4	30 3	27 6	28 3	30 6		8 4	8 3	9 6	9 5	9 7	11 4	11 6	12.0
4 Concessional debt as percentage of total debt	75 1	59 7	48 6	46 3	44 8	42 4	40 3	39 8	41 6	0 5	5 9	14 7	15 5	15 0	14 9	17 5	18 4	17 6
5 Multilateral debt as percentage of total debt	29 5	31 2	30 2	29 5	29 7	30 9	30 8	30 5	33 5			5 9	7 6	8 1	8 9	10 6	11 6	12 4

Not available.

Source: The World Bank, *World Debt Tables, 1992-93* (Volume 2)

Sociological Research in India
The State of Crisis

Veena Das

The crisis in sociological research in India has to be located in three institutional structures—the universities, the UGC and the professional bodies such as the Indian Sociological Society. The overarching framework within which the role of each of these bodies may be understood, however, is provided by the practices of politics.

RESEARCH in any field is sustained over a period of time not by the brilliance of a few outstanding scholars but by the patient building up of competence in the average researcher. What Thomas Kuhn called 'normal science' provides the backbone of research in any subject. While students cannot be trained to do brilliant research they can and must be trained to do competent research. One cannot plan for paradigmatic shifts in a discipline. When these occur they are, by definition, unpredictable. A result of the imaginative flights taken by unfettered minds these paradigmatic shifts are to be celebrated but they cannot be methodically replicated. What is a cause for dismay in the field of sociological research in India is not so much the lack of brilliance as the lack of competence.

I base my comments on my experience as a teacher in the University of Delhi for the last 25 years when I have had the opportunity to interview students from several universities and for the past few years to act as an expert member in selection committees for the positions of lecturers and research associates, both in universities and the UGC.

The number of students registered in the doctoral programmes in sociology has increased phenomenally in the last decade. For a position of Lecturer or Research Associate anything up to 100 applications may be received of which 40 may be of candidates who have obtained their doctoral degrees from any of the Central or State Universities. Another 40 may have an M Phil degree. It is on the basis of my experience of interviews with these candidates that I have found the following characteristics among several candidates who possess the highest research degree in sociology.

(1) In most universities students are not expected to read any books systematically. To the question whether the candidate has ever read a book in the social sciences from cover to cover, the answer is usually in the negative. The level of competence in sociology is so poor that candidates with doctoral degrees have assured me that Malinowski conducted his fieldwork in India; that Max Weber's thesis on the Protestant ethic was based on his study of American society; that Calvin was the name of a place in Europe; that there was not a single ethnographic study of any tribe in India: and that they had temporarily forgotten the name of the theory associated with Darwin.

(2) The ignorance of elementary facts is matched by an eloquence on generalities. For example, the same candidates who could speak for 15 minutes on the importance of class conflict in Marxian Theory and the urgency of social justice for the downtrodden, was unable to distinguish between use value and exchange value or to tell me the meaning of the word Brumaire in *The Eighteenth Brumaire of Louis Bonaparte*.

(3) Every dissertation has a long list of references. However, candidates are unable to remember the argument of a research paper or a book although they have themselves referred to it in the body of the text. Some candidates make a candid admission that they did not feel the need to actually read the books and papers cited in the text or included in the list of references. Others state that they have forgotten what they have read. I want to emphasise that this ignorance or forgetfulness is with regard to books and papers that they have themselves quoted, not with regard to sociological works that I may consider important.

(4) The standard format of PhD dissertations in many universities now is for the candidate to prepare a questionnaire on such topics as "Attitude of working women to marriage", or "Prevalence of drug addiction among youth" The questionnaire is administered to 100 or 150 respondents selected according to the convenience of the researcher. Each chapter is then organised around the specific responses received around a cluster of questions presented in the format of tables. This is followed by a description of these responses. The students are not required to learn how to use primary or secondary sources; they have no experience of library research; they conduct neither intensive fieldwork nor well-designed survey research, and despite the appearance of tables they do not learn the elements of statistical reasoning.

(5) Some of this research is published. Normally it is published in departmental journals or magazines in which there are no procedures for refereeing a paper. Some of the research also gets published in the form of a book usually by small publishers on the grant of a subsidy. In some cases, as for instance in the case of UGC Research Scientists, there is an individual contingency grant of the magnitude of Rs 2 lakh available to each incumbent. I have come across cases in which a subsidy of about Rs 80,000 has been given to a publisher. In one case, I found that the book published on the basis of a subsidy consisted entirely of materials copied from District Gazetteers. The reason why such publications escape all academic scrutiny is that a vicious cycle is built through availability of research funds leading to subsidy for publications and publications leading to more grants for research. Many publishers have now come into being who survive solely because there are bodies like the UGC and various Research Councils which provide financial support for substandard publications. Clearly, it is not my claim that all research published through these schemes is substandard but it is noticeable that very little of such research is published in national or international journals of repute and very little receives any critical attention in the book review sections of good journals.

(6) One consequence of this configuration of factors is that books are published which are plagiarised, bringing disrepute to Indian universities. About a year ago *Anthropology Today* carried a letter by Gustaff Houtman of the University of Manchester which stated that he had come across an astonishing volume called *Monastic Buddhism among the Khamtis of Arunachal* by one Dr Kondinya,

published by the National Publishing House of Delhi in 1986 "of which", to put it politely, "a substantial part seems to duplicate Melford E Spiro's *Buddhism and Society*". The letter went on to state, that, "There is no bibliography and no reference to Professor Spiro but a considerable number of paragraphs would appear to differ from Spiro's text only in the most minor particulars such as the substitution of 'Khamti' for 'Burmese'. Yet the author apparently has a doctorate from Delhi, has worked as a post-doctoral Fellow for the Ministry of Home Affairs of Indian Government." (See *Anthropology Today*, Vol 8, No 3, June 1992.)

Unfortunately, this is not an isolated case and only a systematic survey of books published in recent years can reveal the extent of the malpractice. This tendency to plagiarisation can be directly traced to the proliferation of publishers, subsidies for substandard research, and the refusal to apply academic judgment with honesty on the part of those who recommend these for subsidies. Before I discuss the factors responsible for the crisis, let me also add that a small number of students, located in different universities and research institutes continue to produce professionally competent research. The evidence for this is available in the fact that while in the 60s, reputed publishers were able to find only a few senior scholars whose monographs were considered worthy of publication, now there are young scholars whose monographs find a place in the list of books of the most reputed national and international publishers. What the cumulative work of these young scholars has done is to provide a plurality of perspectives on the understanding of Indian society. Clearly traditions of sound research need to be built up with care. Where certain departments and institutes have nourished sound research through their efforts at regular teaching, departmental seminars and involvement of senior faculty with the building of library resources, the institutional framework must be protected. Where talented young persons are located in institutions where such facilities are not available they must be provided the means to participate in the research programmes of such centres of advanced studies. However, the trend in policy-making is to treat all institutions equally without any regard to their academic record leading to the situation in which the profession is swamped with substandard research. I do not use the word crisis easily to apply to any kind of situation. In this case, however, I do believe that we are in a state of crisis requiring the immediate application of sound judgment. Borrowing an analogy from medicine, the patient is in a critical state and there is every reason to believe that if critical interventions are not made, we will face the death of social science in India.

What are the factors responsible for this crisis? One would have to locate the crisis in three institutional structures—the universities, the UGC and the professional bodies such as the Indian Sociological Society. The overarching framework within which these may be understood, however, is provided by the practices of politics.

At the level of the universities, the proliferation of the subject has simply not been matched by the will to ensure competence in teaching and research. In several universities, textbooks such as that of Melver and Page, written almost 50 years ago, continue to be taught. These textbooks are available in translations in several regional languages. The combination of commercial interests and academic apathy leads to the dismal situation in which students are completely unaware of what has happened in the subject in the last 50 years.

Second, were teaching and research is conducted in regional languages, students do not acquire proficiency even in reading in the English language. I am afraid that rhetorical statements about national self-respect notwithstanding, neither the translations of competent sociological works in the regional languages nor original contributions add up to a sufficient body of literature that may be available in these languages. Thus a student fails to acquire competence in her subject on the basis of this literature. I may add that proficiency in reading in the English language for graduate students is considered necessary in most universities in the world now, even in countries which were known for their linguistic chauvinism a decade ago, such as Germany, France and Japan.

Third, the policies for recruitment and promotion of teachers increasingly sacrifice academic competence for political expediency. Even in the best of cases, universities find themselves caught in a double bind. Due to the fact that recruitment and promotion of teachers is increasingly subjected to political pressures, those who come to be in positions of responsibility are rarely men and women of towering intellectual stature. Unable to receive academic legitimacy through either their teaching or research, they seek self-confidence and legitimacy through either political patronage or through a mechanical routinisation of academic procedures.

The fear of populist pressures which represent the other side of mechanised bureaucracies has increased in the university campuses to such an extent that decision-makers internalise the imagined responses of populist, trade union bodies and direct their own actions accordingly. Most scholars of repute either withdraw in the face of this combination of bureaucratic and populist assault on their dignity, or they simply succumb. Even vice-chancellors and pro-vice-chancellors whose own academic stature and reputation for integrity are unquestioned find that in their efforts to tame the power of unscrupulous heads of institutions or departments they end up by discarding the idea of academic judgment itself.

Fourth, the examination of PhD dissertations is managed within a small coterie of scholars. There is real dearth of competent examiners within the country but a search for examiners from the international field is regarded with suspicion as a sign of a colonial subjugation of the mind. We are now in a situation when dissertations are approved on the basis of reciprocity rather than the application of academic standards. While differences in academic judgment can happen and even the best of universities once in a while produces a doctoral student whose dissertation does not meet high professional standards, it is the frequency with which this is happening in our universities that is a cause of concern. Where dissertations are written in regional languages, the availability of examiners is further limited.

If the universities are to take a share of the blame for the falling standards for research, the UGC cannot escape its major responsibility either. The decision-making bodies in the UGC seem to have completely misguided notions about the state of social science research in the country. Among the reasons for the proliferation of substandard doctoral degrees is the premium attached to a PhD for teaching posts at the level of Lecturer and Research Associate, regardless of the quality of research. The pressure to obtain a PhD on the part of the student is matched by the pressure on supervisors to accumulate credits for producing large number of students with doctorates obtained under his or her supervision. Such 'objective' (read mechanical) factors as the number of doctoral students enhance the prestige of the supervisor. This has led to the paradoxical situation in which the efforts to improve the quality of teachers has led to a further deterioration in standards of teaching and research.

The plain fact is that no amount of introduction of national testing schemes will

solve the problem. Every objective type of test introduced at the national level, produces its own corresponding tutorial schools and *kunji* type texts. Unless the UGC squarely faces up to the fact that with the exception of five or six departments in the country, others are simply not competent or equipped to provide facilities for advanced research and withdraws any accreditation from these departments, the problem will assume alarming dimensions. The need is to consolidate resources and see that good students are provided opportunities to study and conduct research under the guidance of competent scholars. Hence while undergraduate and postgraduate teaching should be strengthened across the country, facilities for research supervision must be limited to a small number of places with proven competence and reasonable resources provided for these departments to maintain a national character.

The UGC seems to work with a vision of a floating population of brilliant young scholars who are to be directly recruited by experts appointed by the UGC. As conceived, the schemes of the UGC seek to give support to young scholars who are seen as crushed by the faction-ridden politics of university departments. While it is true that many departments are ridden with factionalism and also that not all deserving young scholars get opportunities for research, it is equally true that in the overall context of deteriorating standards, the UGC ends up by recruiting scholars with rather poor skills in research. Once money is available for a scheme, such as that of Research Associateships, on Research Scientists, the UGC seems hesitant to discontinue it. In this, it receives the support of senior scholars who are aware that resources for social scientists are shrinking and who do not want to contribute further to this decline.

I do not wish to suggest that the problem of declining resources does not pose a serious threat to the survival of young scholars. However, there can be no quick fix solution for the kind of problems I have described here. While it is very important to nourish talented young scholars, the search for such talent cannot be through the mechanised procedures evolved by the UGC and the universities. It may be necessary to appoint search committees which would seek professional opinions on the sample of the research work of a young scholar and to draw up a list of accredited journals to which such scholars are encouraged to submit their work. All of this can be accomplished much better if the UGC takes a supportive role towards the well recognised departments and charges them with the task of fulfilling national responsibilities rather than taking the indifferent or even adversarial approach that it has been taking *vis-a-vis* established universities in recent years.

Finally, the professional bodies have done little to salvage the situation. The interests of the profession lie not only in producing greater number of jobs for sociologists but in ensuring that ethical practices in the discipline are maintained. The Indian Sociological Society should take upon itself the task of preparing a serious report on the state of sociological research in the country so that we can face the situation squarely. A discipline that has been nourished by such eminent scholars as Radhakamal Mukherjee, G S Ghurye, N K Bose, D N Mazumdar and M N Srinivas now stands in a position where there may not be a next generation.

In the general clamour of voices that are calling for universities to act more responsibly, I want to state as strongly as I can that this can only be done if practices of politics become more responsible. It cuts little ice to speak of financial responsibility on the part of universities when the government itself sets rather high standards of financial irresponsibility. New universities are announced in a game of political one-upmanship committing major resources towards infrastructure while existing universities are kept on tenterhooks even about availability of salaries. Universities are urged to raise their own resources but the minimal changes in budgetary practices and bureaucratic control that would enable universities to retain these resources are not permitted. A case in point is the insistence of the UGC that all extra resources raised by a university would be deducted from the overall budgetary allocations, despite the fact that detailed evidence of the impossibility of retaining the minimum infrastructural facilities for teaching and research under present allocations has been provided to all decision-making bodies.

Once we consider the practices of political parties that are not transparent, the situation appears even more alarming. Every political party aspires to control and use the university as its experimental ground. There is not only the effort to use the university as a recruiting ground for political parties (which may be legitimate) but also to recruit students who can help in the conduct of the night life of political parties. One has to only consider the phenomenal amounts of money poured into students' and teachers' elections to realise that university politics provides a far quicker route to social and economic mobility for many students than the laborious task of attending lectures and tutorials and reading books. It would only be fair to add that there are several teachers who also find it easier to build a reputation through participation in university politics rather than their teaching and research. When we further consider the money poured into sponsored agitations, crowd management, and instigation of violence in the campuses, we get to understand the night battles for control of universities waged by political parties all over India.

How can universities stand up to such moral corruption? It seems to me that the first thing to realise is that the so-called representatives of students and teachers are the ones who in the name of representation are devouring those they claim to represent. Research can only flourish in an academic environment in which academic honesty is not discounted. But academic honesty first requires that we face up to our predicament, to curtail the rhetoric of academic brilliance and restore a dignity to dull, honest, plodding research. It also requires that we recognise the enormity of our responsibility in saving what little is left of critical reflection in our society.

One may question my whole argument that in order to save critical reflection we need to save the tradition of professionally competent research despite its incapacity to suggest paradigm shifts. I shall conclude with two observations on the relevance of such work within the accepted paradigms of a discipline. First, it is important to build up a critical mass of empirical data on the society on the basis of which alone does it become possible to pursue arguments within a rational discourse. Second, as I stated at the beginning, paradigmatic shifts cannot be methodologically replicated. Most of us are intensely aware of the mediocrity of our own efforts. Speaking on a personal note, if I find it necessary to continue at my efforts with writing despite my disappointment with myself, it is because I am aware that I am simply doing a holding operation till someone comes along one day and transforms the understanding of those sociological problems that I find so intractable. Meanwhile I can only transmit certain skills to my students so that when that person arrives, she does not find a complete vacuum of thought.

A-Way with Their Wor(l)d

Rural Labourers through the Postmodern Prism

Tom Brass

WHAT originally started out as a review of two recently published collections about south Asian history and society [Haynes and Prakash 1991 and Prakash 1992] offers a timely opportunity to comment on the impact and implications of what purports to be an entirely new approach to the study of agrarian change, and the role in this of peasants and workers in general and unfree rural labour in particular.[1] At times during the immediate past it has seemed as though development theory about agricultural labour has imploded, a consequence of on the one hand economists [for example, Srinivasan 1989] who reduce it to an epiphenomenon of mathematics, and on the other non-economists who question the very existence/possibility of development itself.[2] Into the latter category falls postmodernism, which propounds something akin to a form of 'cultural individualism', or the politico-ideological equivalent of bourgeois economic individualism, and which—when combined with concepts such as 'resistance' and 'popular culture'—dilutes/downgrades/dimisses unfreedom and creates a space for reactionary politics. In considering the impact/implications of postmodernism, therefore, this review will focus largely on texts by Prakash, since these provide agenda-setting introductions to both collections and also constitute a symptomatically postmodern approach to the agrarian issues under consideration.[3]

Rose-Tinted Postmodern Prism

Emanating from linguistic/literary theory and rapidly colonising the social sciences, postmodernism encompasses much of the discourse which permeates (among others) the subaltern studies project, new social movements, resistance theory and popular culture. The influence of its methodological and theoretical impact on political practice cannot be underestimated. As elsewhere, the 1980s has witnessed in India a confluence between academic discourse, as projected by the subaltern studies series, and the political practice of what are termed new social movements.[4] The latter consist of environmental movements, composed of tribals and forest-dwellers, peasants and new farmers' movements, and more generally the women's movement, which has played a prominent role in both the ecological and the new farmers' movements. It is frequently argued, both in academic discourse about these movements, and by the spokespersons of the latter, that what is on offer here is nothing other than a radical new agenda, or a complete break with a socialist/nationalist/colonial/male past and thus the shape of an entirely new future.[5]

A form of radical conservatism which denies the fixity of meaning (or the theory of the floating signifier), postmodernism licenses an anti-universalistic, indeterminate, decentering and thus a relativistic interpretation of social existence, in which no particular identity or political view is—or can ever be—privileged.[6] From within a postmodern epistemology, therefore, it is possible not merely to deny the necessity and/or desirability of changing an existing or traditional political order but also to espouse/endorse fascism with a clear conscience.[7]

In rejecting totalising/Eurocentric metanarratives, postmodernism also denies thereby the possibility of a universal process of socio-economic development embodied in the notion of history-as-progress (regardless of whether or not this is actually realised). Such a view necessarily signals the abolition of the Enlightenment project, or emancipation as the object and attainable end of historical transformation, and along with it socialism and communism. The collective is replaced by the autonomous/fragmented individual subject, action is guided not by class structure/formation/struggle but by subaltern/elite identities and/or those based on ethnicity/gender/religion/region, revolution is replaced by resistance, and in term of the desirable/(possible) outcome of such action socialism is displaced by bourgeois democracy—or worse.

In true postmodern fashion, Prakash claims that in India the concept 'agricultural labour' was constituted by colonial discourse, the implication being that outside the latter it had no material existence (1992a: 2, 3-4, 9).[8] The main target of his postmodern critique is Marxism in general, and in particular its privileging of 'the economic' (1992a: 2, 3, 11, 12, 13, 14, 15-16, 21), dismissed by him as 'foundational' (1992a: 3, 15).[9] Unsurprisingly, therefore, Prakash regards the Eurocentric/enlightenment/emancipatory economically-based notion of class differentiation as inapplicable to Indian countryside (1992a:21), and rejects this in favour of an approach which emphasises the 'cultural' formation of labour (1992a: 3, 11, 34, 35-36). For example, the jajmani relationship should in his opinion be regarded as a form of 'patronage', or a specifically 'cultural form of power relations' (1992:37). For Prakash, therefore, "the use...of indigenous categories such as jajman and kamin allow an empirical access to real life that categories such as landlords and labourers do not provide easily" (1992a:38), thereby (re-)privileging 'indigenous' categories over the discourse of political economy ('indigenous = real, political economy = unreal), a procedure which he himself criticises with regard to colonial/nationalist/Marxist views on the free/unfree labour distinction (1992a: 1, 6). It also confirms the idealist nature of his approach; that is, the denial of an objective reality independent of and beyond the immediate perception of the individual subject—no false consciousness, in other words [for example, see Prakash 1992a:3].

Part of the difficulty here is that the concept 'false' consciousness is itself epistemologically impermissible within a postmodern framework. Since Prakash not merely accepts but celebrates the plurality of the ideological, by definition no form of consciousness can be categorised as 'false'. Generally speaking, postmodernism rejects consciousness of class as an Eurocentric concept that involves an 'outsider' unacceptably imputing a politically appropriate, logically consistent and historically necessary set of universalistic beliefs to particular socio-economic agents. However, without a concept of consciousness that discriminates between notions of 'true' and 'false' (which in turn entails the theorisation of a politics that transcends the randomness of non-specific/amorphous conflictive practices), it becomes possible to identify each and every single component of behaviour/activity (or existence) as yet another form of 'resistance'.[10]

Once the postmodern framework of Prakash has conceptually decoupled agrarian relations from their material (= 'foundational') base, it becomes possible not merely to deny the existence/efficacy of power-exercised-from-above (= class rule) but actually to invert this: social relations of production thus recast become instead evidence of power-exercised-from-below (resistance = popular culture = carnival). Accordingly, for Prakash (see below) and Haynes and Prakash (1991: 2, 17) the fragility of power-exercised-from-above licenses the inference that agricultural workers and bonded labourers could have rendered it inoperable had they chosen to do so: that they did not is then taken as evidence both for its non-coercive/non-exploitative nature and for the claim that, where it operates, ruling class power is exercised with the consent of the labourer him/herself and not against the wishes of the latter. When combined with non-class-specific concepts such as 'everyday forms of resistance' and 'popular culture', therefore, the actions/beliefs imputed to agricultural workers and unfree labour can be (re-)presented by postmodernism as proof not just of the fractured/tenuous or even non-existent character of ruling class power but also of a corresponding process of worker self-empowerment.

Resistance through Popular Culture

It is impossible to understand the political impact of postmodern discourse on issues to do with agrarian change and development generally without reference to the way in which postmodernism fuses with and is simultaneously reinforced by the concepts 'resistance' and 'popular culture', both of which structure the collection edited by Haynes and Prakash (1991). The endorsement by the latter of 'resistance' and 'popular culture' is due in part to the way in which such concepts challenge the notion of passivity by recognising the voice and action of those historical categories (women, agricultural labourers, tribals, peasants) usually perceived as mute and/or dominated [Haynes and Prakash 1991:13, 16ff; Adas 1991:291, 292; Prakash 1992a:42]. On the face of it, therefore, such a process can be viewed as politically progressive.

Within a postmodern framework that links 'resistance' to the ideological plurality of the subject, 'popular culture' becomes identified with the 'voice from below', and action based on this accordingly constitues an authentic expression of the democratic will. Consequently, anything and everything associated with its grassroots manifestation, now increasingly celebrated in that most fashionable form of power-exercised-from-below, the 'primordial' rituals (crowning/decrowning) associated with 'carnival' [Bakhtin 1984:122f8], automatically becomes the embodiment of democratic expression.[11] The difficulty with this is that once the 'popular' is accepted as an unmediated construct (or the 'natural' voice of the people), it follows that what is desirable becomes whatever the 'popular' says is so; in short, a procedure that fails to ask precisely how such views are constructed, by whom, and for what political ends.

In this connection it is perhaps salutary to recall two interrelated points. First, 'popular culture' is associated historically with the emergence of 19th century European nationalist movements [Burke 1981]. Hence the importance to the latter of 'reinventing' traditional folkloric concepts linking an ethnically-specific homogeneous 'people' to a particular territory, thereby establishing a politico-ideological claim to its own rightful place/space and simultaneously denying any rival claims to this made by a 'foreign' occupying power. And second, that in its attempt to undermine the exceptionalist image of German fascism, "the right has rethought its analysis of National Socialism in part by borrowing, altering, and often gravely distorting the concepts, methods and conclusions of social history. The right's discourse is filled with pleas to normalise the study of Nazism, to empathise with the little man and to recognise that many aspects of the Third Reich, including its most horrendous acts, were not unique... It was history from below which first sought to reconstruct non-elite groups' perceptions of fascism" [Nolan 1988:52; on this point, see also Habermas 1989:209ff].

The metamorphosis of 'popular culture' from a passive to an active historical role is in turn linked to its being the source of self-empowerment mediating the 'everyday forms of resistance' associated with the work of Scott (1985; 1986; 1990; 1992). This 'resistance' framework has now been extended to include not only individual actions undertaken by subordinates with the object of obstructing/denying the process of material appropriation (for example, poaching, foot-dragging, pilfering, arson, dissimulation, flight) but also those multiple forms/contexts which in his view similarly obstruct/deny the process of ideological subordination (linguistic disguises, ritual codes/aggression, taverns, fairs, rumours, folktales, songs, gestures, jokes). The implication is that opposition to the existing social order derives from a hitherto undiscovered authentic grassroots voice (= 'popular culture', 'carnival'), which can be re-presented by postmodernism as a depoliticised discourse untainted by discredited overarching metanarratives.[12] Like the 'moral economy' position of E P Thompson (1991:184ff), primacy is allocated to customs, traditions, culture, and practices as these already exist within the peasantry and the working class, a view which contrasts with that of Marxists who have tended to emphasise the backward-looking, politically reactionary and historically transcendent role of much of what passes for resistance based on an already existing 'popular culture' (racism, nationalism, religion). Lenin (1961:349ff), for example, warned against the opportunistic espousal/endorsement of spontaneous conflict 'from below' simply because this happened to be taking place, and emphasised instead the importance of party organisation structured by a specifically political input into the formation of what would eventually become a consciousness of class.

The politically conservative nature of the 'resistance' framework is clear from its epistemological lineage, both outside and within texts by Scott himself. To begin with, that aspect of Scott's framework which is most frequently invoked and/or celebrated for its novelty—everyday forms of resistance—is not in fact new. An almost identical concept of non-confrontation with the state, a form of indirect political action known as the 'theory of small deeds', was actually pioneered by Russian populists during the late 19th century [Utechin 1964]. More importantly, much of the theory which prefigures the 'resistance' framework is already present in an earlier text by Scott (1968:94ff, 119ff), where he endorses both the 'limited good' argument of George Foster (1965) and the 'culture of poverty' thesis advanced by Oscar Lewis (1962).

Together with Foster and Lewis, Scott attributes rural impoverishment and the lack of economic development to cultural factors operating within the peasantry itself. Peasant societies everywhere are traditional and thus closed economic systems, governed by the politics of scarcity, or what Scott (following Foster's 'limited good' argument) terms a 'constant-pie' orientation: that is, a zero-sum situation which assumes rigidly fixed or 'natural' shortages. Accordingly, rural society remains largely outside of and impervious to the capitalist system, both the process and effects of socio-economic differentiation are contained, and traditional culture survives intact. Such a framework casts all petty commodity producers in the role of a pan-historical, stereotypical non-accumulating peasant proprietor (the Chayanovian peasant family farm, in other words), the basic 'other' of development theory and planning strategy.[13] For Scott, Foster and Lewis, therefore,

peasants are economically backward largely because they want to be (choice), because of non-economic reasons (culture), and because of reasons to be found within rural society itself.

In many ways, Scott has not departed substantially from the theoretical analysis which structured his original 'constant-pie/'limited good'/'culture of poverty' approach. Hence the myth of a stereotypically undifferentiated/non-accumulating, subsistence-oriented, resistance-engaging peasantry which pervades his current work, is prefigured in earlier views; on the one hand regarding a pre-given situation of 'natural' material scarcity (a view he shares with neoclassical economic theory), and on the other concerning the presence/role of levelling mechanisms (wealth traded for prestige) whereby actual/potential rich peasants are made to disgorge their surpluses by the village poor through carnivalesque redistributive rituals (fiesta, potlatch), a process which can be perceived as evidence of successful resistance-from-below mediated in the form of popular culture.[14]

In one important respect, however, the most recent work of Scott breaks with that of Foster and Lewis: unlike the latter, for whom traditional culture was perceived in negative terms because it constituted an obstacle to economic development, for Scott—as for new social movements theory and postmodernism—the meaning of traditional culture has now been recast in positive terms.[15] In keeping with his postmodern predilection, Scott inverts the argument of Foster and Lewis regarding the relationship between economic development and culture: precisely because it is an obstacle to development, therefore, 'traditional' (= popular) culture can now be celebrated by means of the 'resistance' theory framework.

By retaining much of the Foster/Lewis framework, yet reversing its negative theorisation of culture, Scott represents in an even more politically conservative form their central argument about the relationship between culture and economic development. Much the same is true of Prakash's (1992a:18) essentialist argument that colonialism made very little impact on India, and that there remained underneath a 'real' India largely undisturbed by its coming/going. This, of course, permits him not only to reify and celebrate an indigenous discourse as an authentic 'other', resisting economic development successfully, but also to reclassify agrarian institutions such as debt bondage as part of this indigenous discourse; in short, not as unfreedom (= an economic relation) but rather as part of this underlying 'otherness' (= a natural occurrence).

Arbeit Macht Frei

A political economy of unfree labour begins by focusing on the labour-power of the subject as private property, and hence as an actual/potential commodity over which its owner has disposition. Unlike a free labourer, who is able to enter or withdraw from the labour market at will, due to the operation of ideological constraints or extra-economic coercion an unfree worker is unable personally to commodify his/her own labour-power. Like chattel slavery, therefore, production relationships such as debt bondage or peonage, contract and indentured labour, all of which may entail a period-specific loss on the part of a debtor and/or his kinsfolk of the capacity to sell their labour-power at prevailing free market rates, cannot be regarded as free wage labour. Unlike chattel slavery, however, where the *person* of the slave is itself the subject of an economic transaction, in the case of a bonded, contract or indentured labourer it is the latter's *labour-power* which is bought, sold, and controlled without the consent of its owner.[16] Just as Scott postmodernises and thus inverts the meaning of culture found in the work of Foster and Lewis, so Prakash and other postmodernists invert the meaning of unfreedom.

In the postmodern framework of Taussig (1984; 1987), for example, the debt peonage relation encountered in the Putumayo region of Peru during the Upper Amazon rubber boom of the early 1900s merges into and becomes nothing more than a specifically cultural manifestation of irreducible 'otherness'/difference; accordingly, unfreedom possesses only a discursive existence, linked to the construction by colonists of a mythological/folkloric image of indigenous horror/terror (based on savagery/rebelliousness/cannibalism), and projected by them onto the tribal workforce they recruited/employed. Rather than connecting the existence of terror/unfreedom in such a context to struggles over the commodification of labour-power, and identifying thereby a specifically economic role for terror in the enforcement of unfreedom which in turn licenses the process of capital accumulation, he deprivileges/banishes economics and reifies ideology.[17]

Unsurprisingly, Taussig (1984:491, 495; 1987:27, 69, 442-43) opts instead for the non-economic/innateness of Foucault's postmodern concept of power, whereby the exercise of terror becomes an irrational end in itself; in short, a Nietzschean view of terror/unfreedom as chaotic, purposeless, and hence unchanging/unchangeable. The resulting analysis oscillates uneasily between two competing discourses about debt peonage in the Upper Amazon region: one by Roger Casement condemning the use of unfree labour for rubber production, the other by employers supporting its use, and (because of 'epistemic murk') neither of which according to Taussig (1984:470, 494; 1987: 27-28, 29) it is possible to categorise as true or false.[18] Like other revisionists, Taussig comes near not just to endorsing the 'lazy native' myth, but also to questioning both the actuality of terror—as distinct from the efficacy of discourse about this (= uncorroborated 'stories' which are believed, and thus possess a materiality regardless of whether or not they are accurate)—and ultimately the reasons for together with the existence of debt peonage itself.[19]

The more recent postmodern (re-)interpretations of unfreedom by Prakash (1990a; 1990b; 1992a; 1992b; and McCreery 1990) not only attempt to give voice to the mute indigenous subject of Taussig's analysis, but in so doing push the problematic theorisation of unfreedom structuring his postmodern framework to its logical conclusion. Since Taussig does not address the issue of how unfreedom was perceived 'from below' by the tribal worker, for him the question of a negative/positive perception of such a relation by the subject of labour does not arise, and consequently remains open. In seeking to answer precisely this question, and attempting to supply this missing voice-from-below, texts by both Prakash and McCreery illustrate how a postmodern and revisionist concept of unfreedom is compatible with the concept 'popular culture' and 'resistance' theory.

Like Taussig, Prakash (1990b: 197-98) maintains that because it lacked a discursive form in the precolonial era, debt bondage in the Indian state of Bihar automatically had no relational existence. As with his revision/dematerialisation of the world/(words) of agricultural labour generally, therefore, Prakash also revises the meaning of its unfree component; the materiality of the latter is similarly dismissed as part of economic discourse, and the relation itself consequently recast in more benign terms. He concludes that unfreedom is the significant and invented other of 'colonial discourse', and consequently that freedom is the correspondingly unacceptable embodiment of totalising Eurocentric notions of human destiny. Accordingly, the anti-universalising/decentered postmodern analysis of Prakash objects to (and thus denies the efficacy/existence of) unfreedom for two symptomatic reasons (1992a:4, 16-17). First, because it operated with a universal and enlightenment notion of slavery, the abolition of which was used by the

British to equate colonialism with liberation. And second, that in the overarching metanarratives of colonial and capitalist discourse, free labour is privileged as the totalising agent of universal progress. Like neoclassical economic theory, which precludes a connection between capitalism and unfreedom by redefining the latter as free wage labour, postmodernism dismisses bondage as a figment of western discourse; thereby banishing it from indigenous accumulation and simultaneously reifying unfreedom as a cultural 'other'.

Against this it is possible to make a number of points. To begin with, not the least of the many difficulties which confront the postmodern framework of Prakash is its refusal to countenance any alternative to a specifically bourgeois/individualist concept of freedom, thereby ignoring completely the socialist approach in which unfreedom is negated by collective freedom based on class. As with Taussig, moreover, this symptomatically postmodern outside-of-discourse/language-there-is-nothing view is a palpably idealist position. And again like Taussig, Prakash fails accordingly to distinguish between an *ideology* of unfreedom (which may indeed have been absent, although precisely what constitutes proof of this remains problematic) and *de facto* unfreedom, which had a material existence that predated colonialism (regardless of whether or not it was identified by its subject as such).

Similarly, the difficulties into which Prakash gets as a result of his rejection of a specifically economic concept of fee/unfree labour are illustrated by his inability to theorise the connection between unfreedom and the market. Hence the resort to moralising when confronted by their co-existence, as evidenced by his view (1992a:31) that 'the market, it turns out, was nothing but a sanitised name given to certain sordid events' and his reference to the market as a 'euphemism' for coercion (1992a:29), whereas in economic terms the concept 'market' is actually an antithesis of coercion. His inability to understand why the segmentation of the labour market frequently occurs along ethnic or gender lines (1992a:31ff) derives from a similar cause: since on the one hand it involves the demoralisation of workers' struggles by transforming/deflecting consciousness of class into (false) ethnic/national consciousness and conflict, yet on the other to probe the surface appearance of ethnic/national/gender identity is forbidden to postmodernism, the underlying ('foundational') reasons for segmenting the labour market is not a question that can be posed within such a framework.[21]

This problem keeps coming back to haunt Prakash. Notwithstanding the claim that hierarchical inversion in oral tradition was a form of 'resistance' practised by unfree labour in the southern part of Bihar in eastern India, therefore, he finally concedes that, after all, it might just be the case that 'the resistance contained in oral traditions was not particularly significant; they may have made the burden of bondage a little easier to shoulder, moderated the impact of hierarchy, but did little to change the 'real' condition of the Bhuinyas... one may say that the oral traditions deluded the Bhuinyas into thinking that they were reconstituting hierarchy and labour relations when, in fact, they did nothing of the sort' [Prakash 1991:170].[21] In other words, what is idealised as a form of 'resistance' may amount to no more than a contextually/historically specific form of false consciousness.

Another symptomatic text in this regard is that by McCreery, where the culturally-based 'resistance' theory of Scott is similarly deployed in order to invert the meaning of unfreedom on coffee plantations in Guatemala during the late 19th century. Despite noting that "force, the coffee planters reasoned, was what the Indian understood, force would do, and force was what the Indians got", that "labour recruiters and state agents in villages jailed workers, beat and defrauded them, kidnapped their wives and children, and burned their houses", that from the 1870s "the state...had the ability to deliver effective and immediate violence to the countryside", and that "life on the run and cut off from...the community, ...was precarious...[Labour contractors and village authorities], pressed to deliver labour, ...increasingly took their search for [workers] into every corner of the municipality, making evasion more difficult", McCreery (1990:161, 164, 166, 168) nevertheless claims that the state was powerless to enforce unfreedom on the indigenous population.[22] For this reason, he theorises the debt bondage relation in a positive fashion, as a mechanism that enabled rural workers "to force from their employers as much money as possible"; accordingly, bonded labour is subsumed by McCreery (1990:167, 169, 172) under the rubric of 'culture' which—along with folk tales, dances, religious ceremony and ritual—becomes yet another form of unproblematically successful 'resistance' on the part of indigenous communities.

This revisionist position, in which unfreedom is regarded by McCreery as evidence of the enhanced bargaining power of agricultural labour (= worker 'self-empowerment'), is itself a variant of the postmodern view of Prakash—a view to which Scott (1976:231) also subscribes—whereby unfree workers symbolically 'win' (carnivalesque) battles in the ideological domain which in economic terms they either lose or do not fight. In many ways, the attempt by postmodernism to revise the meaning of unfreedom constitutes a new variety of functionalism. The old functionalism maintained that the survival of a particular institutional form (such as religion) was linked to its capacity to satisfy basic societal needs, thereby contributing to what was perceived as social stability; as critiques pointed out, however, this amounted to a framework in which institutions were functional-for-those-who-rule. By contrast, the new functionalism of postmodern theory argues that the continued existence of institutional forms such as indenture and debt bondage is similarly linked to their ability to meet basic social needs, but this time not of the subjects but rather of the objects of rule; that is, unfreedom as a relationship that is perceived as being functional-for-those-who-ruled. This, it will be recalled, is precisely the claim made by Fogel and Engerman (1974) in what amounted to a defence of plantation slavery in the antebellum American south.

Conclusion

The real importance of postmodernism lies in its theoretical impact on political practice: it forbids socialism, encourages bourgeois democracy, and allows fascism. Where agricultural labour is concerned, the consequences of such an approach are clear. In admitting that 'the complexity of drawing such a [postmodern] portrait makes it difficult to measure the changing fortunes—or rather the immiserisation—of agricultural labourers in India over the last two centuries', therefore, Prakash (1992a:46) finally recognises the conservative political effect of his idealist framework: the impossibility of analysing the material basis of exploitation, and thus formulating political solutions based on the identity of the subject as worker. Ironically, postmodernism, popular culture and resistance theory have all combined to invert/(subvert) the famous dictum of Gramsci (1971:175) about the nature of political action: instead of pessimism of the spirit and optimism of the will, they now license optimism of the spirit and pessimism of the will.

This point applies with particular force to the problem of unfree labour. Given a postmodern teleology, whereby freedom is not merely linked to the bourgeois/individual discourse of British colonialism, but also wrongly finds its closure in such a discourse, two things follow: first, a critique of freedom is incorrectly equated with a self-empowering critique of colonialism and capitalism; and second, a defence of freedom is misleadingly conflated with a defence of colonialism and capitalism. Such a framework overlooks

the presence of an alternative political trajectory—also springing from the Enlightenment—which regards unfreedom as a negation not of bourgeois individualism but rather of the collective freedom of the working class in a socialist context. But the latter is of course a future that postmodernism denies and consequently its form of freedom is not one that is recognised.

Notes

1 The text which follows pursues in greater detail some issues arising out of earlier articles [Brass 1991; Brass and Bernstein 1992]. An additional consideration here is that one of the books [Prakash 1992] is a contribution to a new series of edited key texts on a particular issue, preceded in each case by lengthy introduction. The object of the latter is to critically assess the state of the art on its theme, chart the historiographical shifts that have occurred since the theme emerged, rethink old problems, open up questions which were considered closed, locate the theme within wider historiographical debates and pose new issues of inquiry by which further work may be made possible [Prakash 1992: vii]. Other similar collections in this series include Hardiman (1992), Rav (1992) and Stein (1992).

2 For a recent attempt to postmodernise development theory see Pieterse (1992). Symptomatically rather than engaging with politics/theory to which it is opposed, much postmodern discourse simply dismisses by chronologising, hence the frequent recourse to the prefix post- (e.g., post-Marxism, post-industrial) which, like post-modernism itself, constitutes an attempt to delineate a closure of a particular debate without having to confront it theoretically and politically (this argument/position is of the past and need not detain us here). The only legitimate application of the term post- is to activity connected with the delivery of letters.

3 It must be emphasised that both collections under review contain useful texts, the contents/argument of which on occasion implicitly challenge the revisionist editorial view of Prakash. For example, Bates and Carter (1992) present a rather less optimistic version of unfreedom as this applies to the recruitment of tribals as indentured migrant labour for Assam and Mauritius, but unfortunately have little to say about its important role in the capitalist restructuring of the plantation (on this point compare Behal and Mohapatra (1992)). Similarly the text by Adas (1991: 300–301) voices a welcome caveat to counter overenthusiastic endorsements of the resistance theory of Scott.

4 The subaltern studies project is presented in, but by no means confined to the collection of texts edited by Ranajit Guha (1982–89), a strong endorsement of the latter is contained in Haynes and Prakash (1991: 7–8) and Adas (1991: 296). For discussions from different perspectives of new social movements as global phenomena see Slater (1985), Fuentes and Frank (1989), Eckstein (1989), Foweraker and Craig (1990), Escobar and Alvarez (1992), Calman (1992), and the contributions by Melucci, Laclau, and Vargas to Pieterse (1992). Although Fuentes and Frank (1989: 184, 187–89) are correct to observe that new social movements are neither new nor comprehensible without reference to class composition they mistakenly believe that in the third world social movements are predominantly popular/working class and thus overestimate the socialist content and potential of such mobilisation. For a discussion of the divergence between Marxism and the egocentric resource mobilisation theory of collective action that structures much new social movements analysis see Melucci (1989: 184–92).

5 As has been argued elsewhere [Brass forthcoming] this denial by the postmodern discourse of new social movements (eco-feminists, tribals, peasants, farmers, women) of history, modernity/socialism, class on the one hand and on the other its reaffirmation of peasant/ethnic/gender essentialisms, is in the Indian context particularly supportive of the neopopulist communal/nationalist discourse of the BJP/VHP/RSS.

6 Unless it is to be regarded as innate, immutable and therefore part of nature, any concept of difference has and can only ever have its origin in a class structure which first assembles and then ideologically consecrates it. By conferring a natural fixity on difference, postmodernists who reify/essentialise it simultaneously naturalise the (bourgeois) socio-economic order which constructs this (historically specific notion of) difference in the first place.

7 On the connection between postmodernism, linguistic deconstruction, decentering/deprivileging and fascism see Kermode (1991: 102–18) and Lehman (1991).

8 It should be noted that, on this point, as on so many others, Prakash adopts a contradictory position. Accordingly, he observes that discourse analysis does in fact "permit the recognition of certain categories and concepts as true or false" (1992a: 1), which would seem to accept the possibility of objective evaluation that he subsequently denies. Similarly, having dismissed unfreedom as an invention of colonial discourse, Prakash concedes that the latter was merely invoking rules about slavery contained in the earlier discourse of the indigenous other (1992a: 5). And despite conceding that 'even relatively privileged groups can participate in resistance", Haynes and Prakash (1991: 4) immediately contradict this by observing that "obviously we rule out as resistance those actions of dominant groups that only further their domination".

9 Notwithstanding his coded rejection of Marxism in terms of an 'economistic' and 'West European model' (1992a: 21, 35–46), Prakash nevertheless utilises a number of Marxist categories, such as the formal/real subsumption of labour, rich peasant and proletarians, surplus appropriation and class (1992a: 24, 26, 27, 29; 1990a: 2). The most obvious of the many difficulties posed by this eclectic approach is the existence of a contradiction between on the one hand the way in which postmodernism accepts only the surface appearance of identities such as ethnicity and nationalism and on the other the Marxist theorisation of these same identities as the false consciousness of ('foundational') coercive exploitative class relationships which license the extraction by landholders of surplus labour or surplus value from their labourers. Insofar as he attempts to combine a postmodern

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framework with selected components of a Marxist analysis, therefore, Prakash juggles uneasily with these mutually incompatible (positive/negative) theorisations of the same relational form

10 That 'existence' is frequently confused with 'resistance' is acknowledged by Prakash (1992a 43) when he notes that "reading dissonance in the cultural forms which landholders and labourers lived their social lives is difficult because, as anthropological studies of village India amply demonstrate, transactions imbued with such institutions as caste hierarchy and patriarchy appear to have the status of unquestioned habits as matters of everyday routine"

11 Unsurprisingly, Scott (1990 175) identifies the carnival as resistance incarnate, *"the* ritual location of uninhibited speech the only place where *undominated discourse* prevailed, where there was no servility, false pretences [*sic*], obsequiousness, or etiquettes of circumlocution' (original emphasis) In keeping with this view of carnival, Dirks (1991) maintains that religious festivals in south India were examples of power exercised from below Such a view overlooks the extent to which carnival not merely does not challenge but actually reinforces and justifies the existing social structure, and is therefore more accurately categorised as a form of social control (or power exercised from above) For the way in which the carnivalesque in India has on occasion served to reinforce communalism, see Cashman (1975) and Freitag (1989)

12 More recently, Scott (1990 x) has admitted that his analysis "shares with postmodernism the conviction that there is no social location or analytical position from which the truth value of a text or discourse may be judged"

13 The description of peasant economy as 'non-productive', together with the view that limited good' not only results in 'extreme individualism' but is also structured by a perception of all resources available to the rural community as finite ('natural'), suggests that Foster (1962 52, 1967 297, 301) subscribes to Chayanovian neopopulism accordingly, the observation that "wealth, like land, is something that is inherent in nature" [Foster 1967 296, 298] naturalises and thus legitimises the inequalities which occur in the agrarian class structure Elsewhere [Brass 1991] it has been argued that the neo populist concepts which structure Chayanovian theory of peasant economy also structure a common epistemological lineage that can now be traced from the moral economy argument and the 'middle peasant' thesis to the new social movements and subaltern studies project

14 That Scott continues to subscribe to a constant-pie approach is implied in his more recent view (1990 x) that for "subordinate groups in these forms of domination status is fixed by birth Social mobility, in principle, if not in practice, is precluded" His view about growth inhibiting cultural levelling mechanisms [Scott 1990 27] is similar to that of Foster (1967 302), who noted that 'self-correcting [cultural] mechanisms' serve to prevent individuals or families from accumulating

15 Foster's negative perception of traditional culture is evident from his comment (1965 296) that "such peoples will be seen as constituting a drag on a nation's development, and will be cutting themselves off from the opportunity to participate in the benefits that economic progress can bring"

16 Because for Prakash (1992a 6,16, 1990a 185) the postmodernised concept of unfreedom is theorised in Foucaultian terms of a corporeal relationship, whereby power takes the form of physical control by a landholder over the body and not the labour power of the worker it is easy for the absence of actual violence to be interpreted as evidence of either the benign nature of bondage (the 'economy of gentleness) or even the non existence of unfreedom

17 At some points Taussig maintains that in the Upper Amazon region a market for labour power was absent and is therefore correspondingly dismissive of Casement's attribution of terror/unfreedom to a scarcity of workers elsewhere however he appears to accept not merely the existence of labour shortages but also the economic irrationality of destroying scarce workers and that the object of terror was in fact to increase rubber production [Taussig 1984 475 77 488, 1987 521f] For Casement's account of Putumayo, see Singleton Gates and Grodzas (1959 201 315) In other words terror combined with unfreedom possessed a two fold economic object to intensify output on the one hand, and on the other to warn potential absconders of the consequences of flight/disobedience. As in the case of the tobacco plantations in the Dutch colony of Sumatra, therefore, executions and floggings of tribal workers in the Putumayo region took place in the labour process itself [Breman 1989 Taussig 1984 475 77]

18 This equivocation on the part of Taussig is prefigured in the similarly postmodern ambiguity of de Man (1979 293), who notes It is always possible to face up to any experience (to excuse any guilt), because the experience always exists simultaneously as fictional discourse and as empirical event and it is never possible to decide which one of the two possibilities is the right one The indecision makes it possible to excuse the bleakest of crimes because, as a fiction, it escapes from the constraints of guilt and innocence' The outcome of this framework, in which language is decoupled from material reality, is ethical relativism, which in turn naturalises horror/terror/(unfreedom) That such a position licenses complicity with fascism is confirmed by the cases not only of de Man himself but also of Heidegger and Blanchot

19 See Taussig (1984 490, 494, 1987 60, 65 66) for his views on the 'lazy native' and his questioning of the actuality of terror/unfreedom

20 Generally speaking, workforce restructuring by means of introducing or reintroducing unfree relations corresponds to deproletarianisation (or the economic and politico ideological decommodification of labour power), a process of class composition/recomposition which accompanies the struggle between capital and labour In contexts/periods where/when further accumulation is blocked by overproduction, economic crisis may force capital to restructure its labour process either by replacing free workers with unfree equivalents or by converting the former into the latter The economic advantage of deproletarianisation is that such restructuring enables landholders/planters first to lower the cost of local workers by importing unfree, more easily regulated, and thus cheaper outside labour and then to lower the cost of the latter if when the original external/local wage differential has been eroded In this way it is possible either to maintain wages at existing (low) levels or even to decrease pay and conditions of both components of the workforce, thereby restoring/enhancing profitability and with it the accumulation project in (or linked to) the capitalist labour process In ideological terms, the object of the deproletarianisation/decommodification of distinct forms of labour power employed by capital is either to prevent the emergence of a specifically proletarian consciousness or to curtail the latter where it already exists Hence the utilisation of unfree components from the industrial reserve army of labour not as an addition to the existing (free) workforce but rather as a substitute for and thus competitor with the latter has dire consequences for the development of working class political consciousness in agriculture no less than manufacturing There are numerous instances of racist responses on the part of an existing agrarian workforce displaced by the nationally ethnically/regionally specific labour power of cheap/unfree migrants recruited by planters landowners or rich peasants engaged in the restructuring of the labour process Where an initially progressive proletarian class struggle shows signs of being/becoming effective the attempt by capital to demobilise it by means of workforce restructuring may convert what is an actually or potentially revolutionary situation into a politically reactionary combination of nationalism and racism

21 Much the same can be said on his attempt to inscribe resistance' into spirit cults in south Bihar [Prakash 1992b]

22 For earlier, non revisionist accounts by the same author of unfreedom in Guatemala, see McCreery (1983, 1986)

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In the light of the experiences of more than 60 countries all over the world, this book by **Prof. Mahesh C. Purohit of the National Institute of Public Finance and Policy, New Delhi 110 067** presents lessons to be derived for commodity tax structure of India as well as for the other developing countries. It provides an intensive study of the system of value added tax in various countries, especially in France—the pioneer of VAT. The coverage includes an in-depth analysis of the rates, bases, exemptions, taxation of services and harmonisation of tax rates among EEC countries. It also includes an extensive discussion of the administrative organisational and operational problems encountered in different countries with special reference to the *forfait* system of France in dealing with the small dealers.

The book has been greatly appreciated by Indian as well as foreign fiscal experts and is highly recommended for students, teachers, researchers, policy makers and tax administrators in developing countries in general and in India in particular.

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Famine Mortality

Elizabeth Whitcombe

The giant misery of starvation caused by the alarming incidence of famine in the later 19th century was compounded by the appalling conditions of migration and over-crowding into which the starving poor were driven, often literally to death, conditions exacerbated by the official measures devised for famine relief. Worse, in the great famine years, by perhaps the cruellest of the many cruel ironies of famine history, rain which might have been expected to bring respite to the survivors of the drought instead intensified their suffering: epidemic malaria took its colossal toll. In other years drought, where it persisted, ironically limited mortality. But this saving grace was denied to the wretched populations of the submontane marshland and the waterlogged districts along the lower Western Jumna Canal, where irrigation, intended to solve the problem of famine, added its quota to the principal cause of famine mortality, malaria.

The history of famine mortality raises many questions and the search for answers should lead to an understanding of famine more commensurate with its complexity. With the available groundwork of the detailed accounts of the outbreaks of famine in every province of British India and the manifestations of disease and the physical conditions associated with them, an epidemiological history of famine in south Asia becomes not merely desirable but a practical proposition.

IN response to the alarming incidence of famine in the later 19th century and the escalation of its economic and social costs, the British government of India devised a systematic policy for the assessment and relief of famine and scarcity. Famine was determined by a specific sequence of events. Insufficient, or untimely, rainfall led to the failure of not one but a succession of harvests. Prices of foodstuffs rose, prompting government to predict that

> eventually prices will rise so high that the labouring classes cannot, with the wages they earn, buy enough food to keep sufficient health and strength for daily labour; then, unless assisted, they must gradually become weakened until they are unable to work at all and death by slow starvation follows; or if labour fails synchronously with the rise in prices, the same end results but more rapidly.[1]

The rise in prices was taken as the index of distress; and mortality, presumed to be the direct consequence of starvation, the index of a famine's severity.

Government's intention was that measures for the relief of starvation should be implemented on receipt of notification of rising prices, to prevent, or at least limit, mortality. Assistance to the distressed was not to be provided in the form of foodstuffs, an interference with private commerce warranted only "if the safety of the lives of the population is incompatible with the freedom of trade".[2] Instead, district officers were to prepare programmes of public works with a scale of wages such as would enable labourers to buy food. Camps were to be established to house the labourers and feeding-centres for the hopelessly destitute who could not work.

In the event, this policy did little to mitigate distress and less to prevent mortality. An explanation may be found in the events of the famine years; not merely in economic and social events, for which an impressive literature is now available, but in the peculiar and dramatic sequence of climatic events and the clinical and pathological history of famine years, which may be reconstructed from observations filed weekly by officers of the departments of revenue and agriculture, public works, and sanitation of the provincial and central governments. The reconstruction of this famine history calls into question the assumptions upon which government's famine policy was based. Rising prices proved to be unreliable as a distress signal. The relation of prices to quantities of foodstuffs was never established; nor was the critical point determined which prices must reach for government to respond with the greatest efficacy. Relief schemes therefore could not but come into operation piecemeal, wherever district officers could convince their superiors, by the pertinence of their observations, of the necessity for intervention. Mortality, moreover, on the colossal scale recorded in famine years, was not simply the direct consequence of starvation, but the outcome of a far more complex set of conditions than official policy allowed for. What these conditions were and how patterns of mortality characteristic of famine years were determined by them can be demonstrated by the history of Madras, 1877-78, compared with Punjab, 1896-97 and 1900-01. No wretchedness, on such a scale, has ever been better documented. It is possible therefore to conduct an autopsy of famine mortality, to clarify the nature of the problem in its complexity: who died, and where; when did they die and how, of what cause, and why.

I

Madras, 1877-78

The years of famine, 1877-78, were distinguished not by unrelieved drought, but by months of drought succeeded by rain, tempestuous especially in coastal districts, from May to June, giving way to drought again in July to return from August at greater than average rate of precipitation (Table 1 and Figure 1).

By the beginning of 1877, scarcity had been officially declared in Madras town and in seven districts: Nellore, Cuddapah, Bellary, Kurnool, North Arcot, Coimbatore and Madura. By March-April, prolonged drought converted scarcity, "as evidenced by rocketing prices", into famine in South Arcot, Trichinopoly and Tinnevelly. Malthus' predictions were not borne out. The coastal, intensively irrigated districts of Tanjore, Ganjam, Godavary and Kistna, with populations of 540 per square mile and above, were prosperous and escaped while famine ravaged the up-country districts where population barely averaged 150 per square mile.[3]

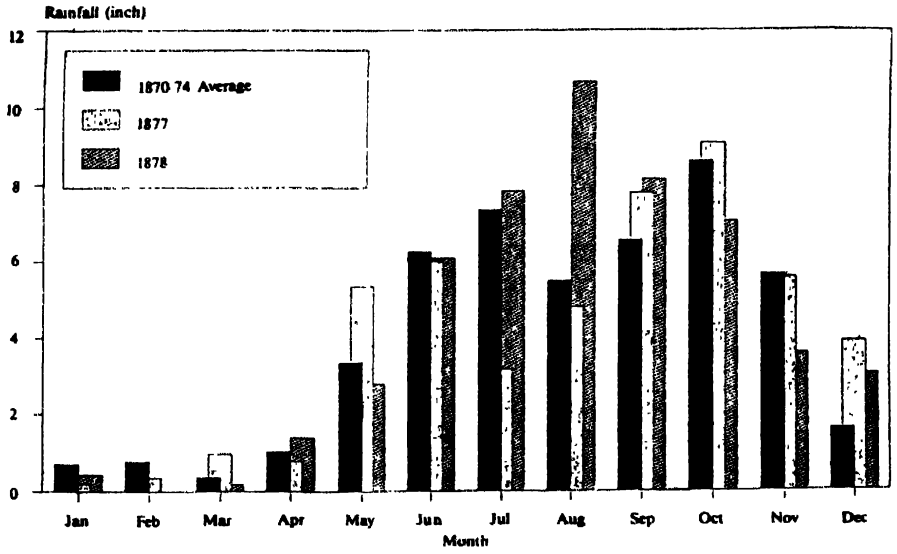
Drought, scarcity, hunger and the death of cattle compelled the villagers in the famine districts from late 1876 to migrate in search of food and work. They followed routes long established by seasonal migration: from Nellore, Chingleput and North

Arcot in the direction of Madras; from north Nellore and Kurnool to the Kistna delta; from Salem to Trichinopoly and Tanjore; from Coimbatore to Trichinopoly and Malabar. At the height of the famine, from April to July 1877, the migration was enormous, certainly tens of thousands, probably hundreds of thousands, of "labouring poor". Migration from Madura and Tinnevelly, for example, to the coffee estates in Ceylon and the Travancore hills more than doubled. Government policy encouraged migration, to towns where foodgrains were stockpiled by private trade, at the behest of official policy, and to the public works and relief camps.[4]

The Madras famine was "the first in which official arrangements were made for the systematic inspection of the distressed people". In March, April, May and July 1877, the Sanitary Commissioner, Dr W R Cornish, toured the famine districts, making a clinical inspection of labouring gangs on the public works and the destitute in relief centres. Cornish physically examined some 3,000 persons. In March, he noted "a general tendency to leanness of all classes... ribs, collar and shoulder bones are all unusually prominent...But many had a fair amount of muscular development and clean, glossy skins". Colonel (later Sir) Richard Temple, seconded from Bombay for famine duty in recognition of his expertise in the design and implementation of relief schemes had toured the famine districts shortly before Cornish. Temple had been impressed by the muscular physique of the labourers. Concluding that the scale of wages was pitched too far above the bare necessity of relief, Temple had ordered a reduction.[5] Cornish, whose clinical eye had been caught by the incongruity of 'muscular destitution', took a history which showed the error of Temple's interpretation. Some nine-tenths of these labourers were "of the animal food eating castes...[and] had largely subsisted on bullocks which had died or been destroyed on account of famine. In March, April and May, in many districts, beef was weight for weight the cheapest food procurable.

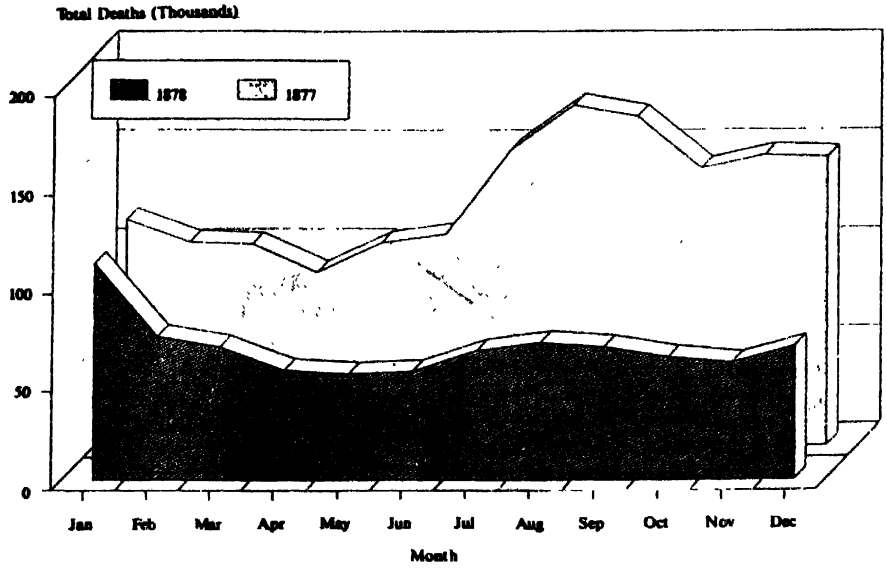
The presence of these apparently well-fed individuals in the labour gangs, caused superficial observers to draw wrong inferences as to the extent and severity of the distress amongst them. They ate meat because the famine had brought an abundance of it, temporarily, to their doors, and the food nourished them; but the supply was of very precarious and uncertain duration, and the fact ought to have been accepted as a sign of the severity of the food dearth, instead of which there is reason to believe that the ruling authori-

FIGURE 1: MADRAS—RAINFALL, MONTHLY AVERAGES, 1870-74, 1877, 1878



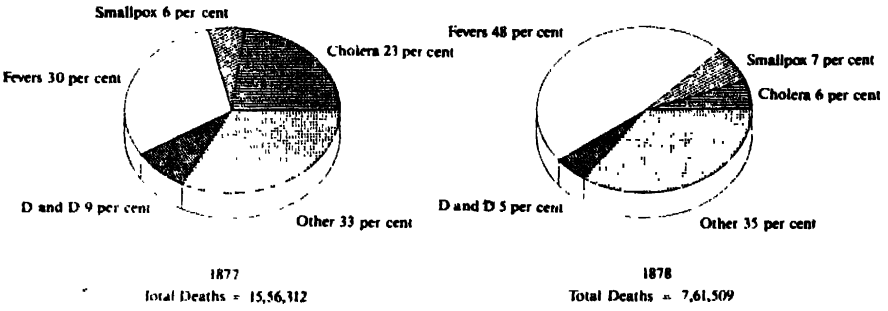
Sources: Annual Reports of the Sanitary Commissioner, Madras, 1870-79

FIGURE 2: MADRAS, REGISTERED MORTALITY, 1877, 1878
MONTHLY DISTRIBUTION



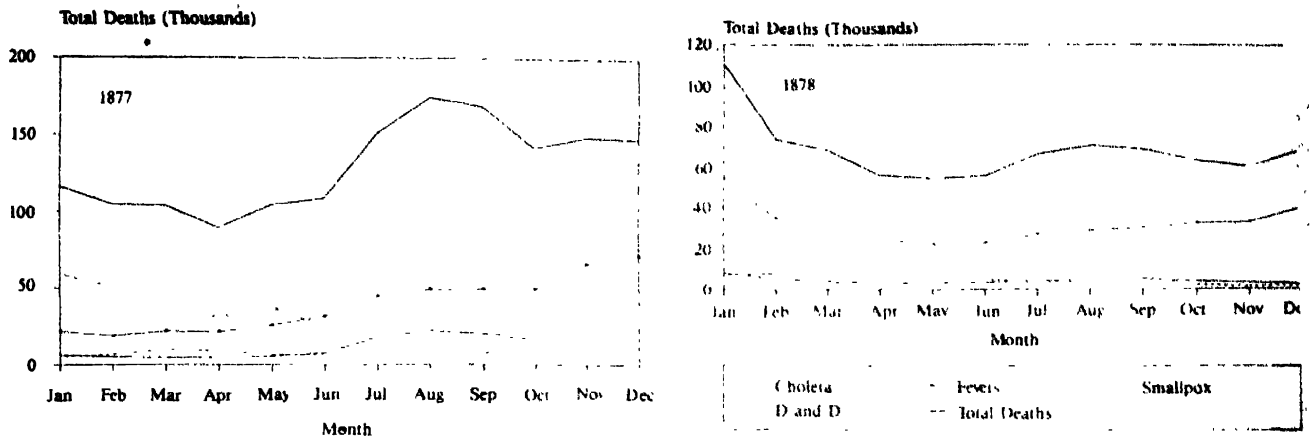
Sources: Annual Reports of the Sanitary Commissioner, Madras, 1877, 1878.

FIGURE 3. MADRAS, REGISTERED MORTALITY, 1877, 1878 PRINCIPAL CAUSES



Sources: Annual Reports of the Sanitary Commissioner, Madras, 1877, 1878

FIGURE 4: MADRAS, REGISTERED MORTALITY, 1877-78—PRINCIPAL CAUSES: MONTHLY DISTRIBUTION



***Sources: Annual Reports of the Sanitary Commissioner, Madras*, 1877, 1878**

ties were at one time misled as to the real nature of the calamity, by glowing reports week after week of the physical condition of the labouring classes.[6]

Scarcity had already had severe effects on the old and young. Once the meat supply was exhausted, the condition of the labourers deteriorated rapidly. In Bellary in April Cornish found some 30 per cent of the gangs to be in a state of emaciation; in July, "nearly all the people on the works were wasted".[7]

His inspections provided Cornish with a superabundance of the physical signs of starvation. Wasting, "the most general physical attribute of the famine stricken", observed to follow a characteristic sequence: first, the loss of body fat, manifested in the disappearance of the rounded contour of the buttocks; later, the loss of muscle tissue from limbs and trunk, detectable in the abnormal protrusion of elbow and knee joints, in the wide spaces between closed legs, in the prominence of ribs. Anaemia, the characteristic pallor of mucous membranes of the eyes and mouth, cracking and ulceration of the corners of the mouth and of the tongue, the sign of iron deficiency; the "drawn" expression of women and children; the increase in heart-rate, "the movement of the heart, knocking against the ribs, [visible] even at a distance of some yards". Scurvy, observed in the early stages of the famine, since green vegetables had disappeared from the markets before foodgrains, and in March already, in North Arcot and Cuddapah, the heart of the famine tract, the normally ubiquitous lime had become unprocurable. The characteristic deep, purplish-blue discoloration and thickening of the gums, ulceration, bleeding and loosening of the teeth were repeatedly found on physical examination. 'Famine skin', "dirty- looking", scaly, degenerate epithelium; and a striking reddish pigmentation of the hair, now known to be indicative of kwashiorkor, hypoproteinaemia. By July, Cornish estimated that some 60-70 per cent of the labouring population of the famine districts were suffering from scurvy, anaemia and generalised wasting. The physical signs of starvation, he noted, were "significantly absent in cooks and others employed in camp kitchens".[8]

In women and children, in addition, there were the signs of arrested growth and development. Children born in the camps had "the wizened and spider-like appearance of the half-starved", from defective nutrition *in utero*. Of girls aged 12 to 14, barely 20 per cent had reached puberty. Menstruation in young women was

TABLE 1: MADRAS—CHRONOLOGY OF EVENTS, END 1876-1878

1876 end	Rains failed, loss of cattle
	Grain imports ↑
	Prices ↑ ↑ ↑ —Food scarce—Distress: Kistna to Malabar
	Bellary, Cuddapah, N Arcot, Kurnool: 7,50,000 on relief works
1877 Jan	Relief Works: 902, 629: Wages ↓ : Stricter control of admissions
	Gratuitous relief: 80, 834
Apr	Temple reports situation worsening, especially in lower classes
	Relief works: ↓ : Deterioration in labourers' condition
	Gratuitous relief: ↑ ↑ : Special allowance for 'reduced' persons
May	Prices ↑
	Cyclonic storm: Madras, SE Coast
Jun	Rain: Initially general then poor
	Prices steady
Jul	SW Monsoon failed
	Prices ↑ ↑
	Relief ↑ ↑
Aug	Rain
Sep	Prices reach max
	Rain good
	12 districts: 2,300,000 on relief
End Sep	Prices ↓
	Relief ↓
Oct	NE Monsoon: Good
	Storms: Tanjore, Tinnevelly, Madura
	NE Coast. Rain poor
	Relief ↓
	Prices ↓ Slow
Nov-	
1878 May	Prices ↓
	Relief ↓
Jun	Rain poor
	Prices ↑
	Relief ↑
Jul-Aug	Rain
	Prices steady then ↓
	Relief ↓
Oct	Rain
	Famine 'practically over'
Dec	Famine relief officially ends

Sources: Government of Madras, *Review of the Madras Famine, 1876-78*, Madras, 1878; ***Annual Report of the Sanitary Commissioner, Madras***, 13, 1876; 14, 1877; 15, 1878; ***Report of the Revenue Administration, Madras*** 1876, 1877, 1878.

arly and irregular, and in severe emaciation, ceased altogether. The population of pregnant women was remarkably low. These findings were confirmed in the decline in birth-rate: in 1877, 25 per cent, in 1878, 50 per cent below the average of the two previous years. Analysis of the breast milk of mothers in the camps showed it to be no more than a thin, watery secretion, deficient in solids, salts and casein.[9]

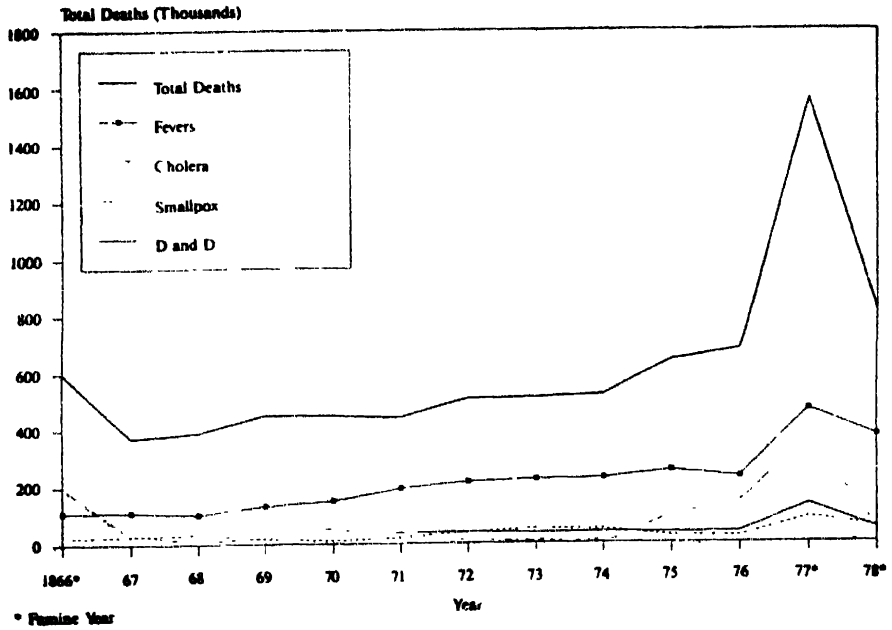
Starvation was unmistakable, widespread and unmistakably severe.

At the height of the famine, from April to July 1877, "the labouring poor, destitute of food and work, forsook their village homes to an enormous extent". Government also saw in migration the prospect of relief, and actively encouraged it. Attempts were made to open up new routes from the famine districts, from Bellary and Cuddapah, for example to the Buckingham Canal works on the Nellore coast. Government and the migrants were deceived. The drought which had driven them out deprived them of food, and water, on the way to the towns and camps. Foraging killed the migrants, the necessity to "resort to unusual—repulsive and noxious—kinds of food": the result, diarrhoea, and death from dehydration. Wells and tanks had long dried up. Such water as was available was mostly contaminated: the risk of drinking it, diarrhoea and death from dehydration. The excessive heat of the famine months heightened the risk of dehydration. The planned migration to the Buckingham Canal served merely to demonstrate the cruel futility of the expedient. The "line of migration" selected was "out of the usual course", understandably, since it lay "across a barren mountain range". "The experiment had ultimately to be abandoned as unsuccessful and full of disaster to the people".[10]

Most of the migrants were the able-bodied poor. How many died *en route* will never be known. These deaths went for the most part unregistered. Circumstantial evidence suggests many thousands. Of those who survived the journey, hundreds of thousands were to die at their destination, "victims", as Cornish put it, "of the circumstances of the food dearth [which brought] the people under peculiar insanitary conditions... Hundreds of thousands of destitute poor crowded the relief works and centres and towns where food was to be had; all this contributed to disorders of digestive functions, often with fatal consequences". The principal cause of death and disease was the "deterioration" in the water-supply:

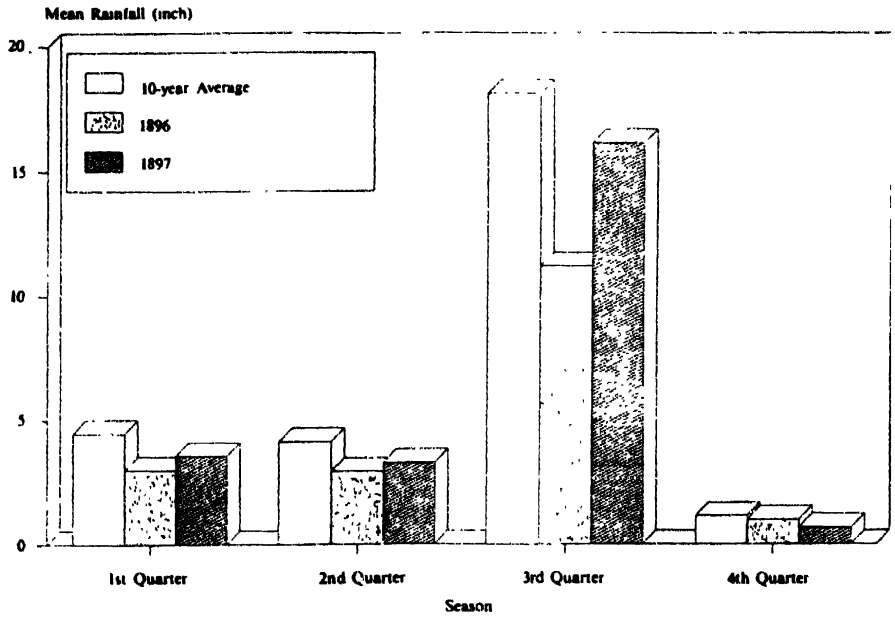
> The usual surface wells and tanks have dried up and the sources that are available are so much polluted, that even persons who are particular about the quality of their water are unable to procure a wholesome supply. When the people, therefore, are accumulated by thousands on various road works and the wells were few and far between, it was no cause for surprise that sudden explosions of cholera occurred amongst them.[11]

FIGURE 5: MADRAS—REGISTERED MORTALITY, 1866-78—PRINCIPAL CAUSES



Sources: Annual Reports of the Sanitary Commissioner, Madras, 1866-78

FIGURE 6. PUNJAB—RAINFALL, MEAN PER QUARTER. AVERAGE 1889-99, 1896, 1897

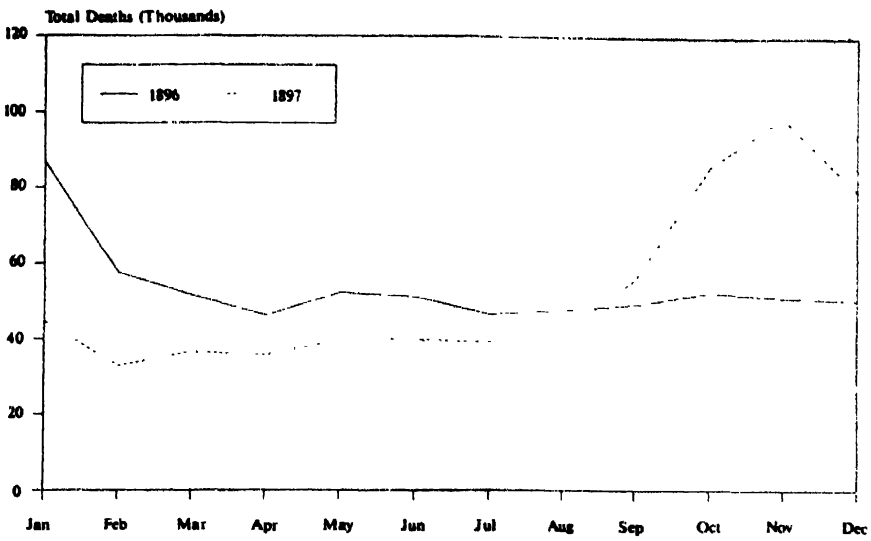


Sources: Reports of the Revenue Administration, Punjab 1889-1900, *Reports of the Sanitary Administration, Punjab*, 1890-1900

An abundant water-supply and efficient 'conservancy' were provided for in camp plans. Estimates of the population to be provided for were wretchedly inadequate. Camp facilities were overwhelmed from the outset. Explosions of cholera were recorded early in the famine, declining by March, when migration intensified, to be overtaken by other diarrhoeal diseases with similar fatal outcome. "Some form of bowel disorder", Cornish estimated from the weekly returns of camp hospitals, accounted for at least three-quarters of the mortality.[12]

Post-mortem evidence substantiated Cornish's estimate. From December 1876 to July 1877, 3,250 persons were admitted to the hospital of a relief camp on the outskirts of Madras; of these 1,117 (34 per cent) died. Porter, the medical officer in

FIGURE 7: PUNJAB—REGISTERED MORTALITY, 1896, 1897—MONTHLY DISTRIBUTION



***Sources: Reports of the Sanitary Administration, Punjab*, 1896-98.**

charge, performed 459 autopsies. The bodies were "greatly emaciated":

	Average Ht	Average Wt (lb)	
		Normal	Autopsy
Tamil men (181)	5' 7"	110-120	54 113
women (121)	5' 2"	95-105	40-102

The skin was dry and scaly. Most bodies showed oedema—swelling due to the accumulation of fluid—of the feet; some, generalised oedema. The internal organs were 'wasted'; the brain markedly atrophic and reduced in weight. The most significant changes were found in the gastro-intestinal tract: loss, and in many cases ulceration, of the mucosal lining, a gross reduction overall in the absorptive surface of the intestine. Porter identified some cases of cholera; most he diagnosed as "terminal dysentery and diarrhoea of famine". The pathological appearances he describes are consistent, in a modern interpretation, with bacillary dysentery, the immediate cause of death being gross fluid loss.[13]

Registration, while approximate and inaccurate in detail, provides an adequate source for overall estimations of mortality by region, principal cause, and by season.[14] Mortality during the months of drought, from late 1876 to July 1877, the mortality, principally, of migration and of towns and camps, of diarrhoeal diseases, famine mortality in the strictest sense, may have amounted to some three-quarters of a million, a provisional estimate based on camp and municipal returns. The total mortality for 1877, however, was officially estimated at 1.5 million and calculated by Cornish to be in excess of three million. An examination of the monthly returns for the famine years shows not one but two phases (Figure 2). 'Phase I', mortality of the months of drought, to July 1877, was the mortality from cholera and bacillary dysenteries, the diarrhoeal diseases, for which the focus was the towns, and the famine camps. This was far exceeded by the mortality of 'Phase II', from August-September, distinct not only in the season of its predominance but also in its principal cause, "fever" (Figures 3 and 4).

This fever, described in the field observations of medical officers in 1877-78 as "predominantly of the malarious type", was the greatest single cause of mortality in Madras in all years (Table 5).

The mortality curve of the famine years differs not in seasonality, nor in principal cause, but in amplitude. In 1877, mortality in Phase I, mainly from diarrhoeal diseases, at a record level, was succeeded by a huge epidemic wave of malaria. The following year, characterised by a more equable rainfall, there were far fewer camps and most closed by the third quarter. Cholera and the dysenteries were much less in evidence in the mortality returns; smallpox, always associated with drought, was negligible; the autumnal wave of malaria returned to near-normal proportions.

Early in the famine in 1877, medical staff remarked on the significant absence of the "usual" amount of intermittent fever in the famine area. It remained absent "as long as the drought continued". As late as May, no case of "ordinary intermittent fever" had been recorded throughout the famine camps and hospitals. But after the heavy cyclonic storm at the end of May, "agues" characteristic of malarious fever were widely reported. In September and October, "the long delayed rain fell in unusual quantities and ..febrile affections, always of the malarious type, either intermittent or remittent, were exceedingly prevalent, especially in the famine districts: fever of 10 to 15 days' duration, exacerbated at night, complicated by dysentery or oedema, followed by recovery or more often death within a month. All classes of the population were vulnerable. In Kurnool and Cuddapah, "public business nearly collapsed on account of the subordinate classes [of officials being] stricken with fever". Throughout November, December, January, temperatures high by day and low by night "favoured the infection"; "thousands of the half-starved survivors of the worst period of the famine fell victims to the fever".[15]

Neither the climatic conditions which characterised the years 1877-78 in Madras nor the catastrophic consequences were isolated events. Cornish warned, from long experience and examination of the historical record, that "malarious fevers on an exaggerated scale" must always be anticipated in India where long droughts "were, as often, succeeded by inordinate and tempestuous rains": as in Rajputana

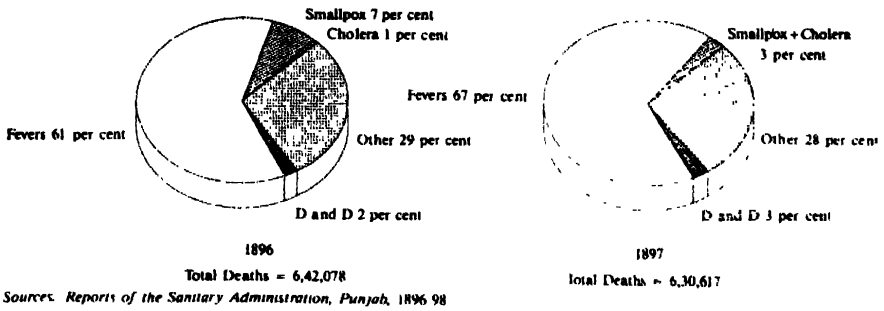
TABLE 2: MADRAS—SELECTED RELIEF CAMPS*. REGISTERED MORTALITY, JANUARY-JULY, 1877: PRINCIPAL CAUSES

District	Total Deaths	Cholera	Smallpox	Fevers	Bowel Complaints	Other**
Madras	1756	82	44	43	1070	517
Chingleput	1304	46	18	4	1124	112
Trich'poly	1171	186	67	—	888	30
Madura 1	831	327	45	242	217	—
Madura 2	1029	26	18	23	780	182
Cuddapah 1	770	25	42	130	378	195
Cuddapah 2	4196	—	5	11	2986	1194
Bellary	239	15	2	8	126	88
Salem	3890	9	11	7	2944	919
Coimbatore 1	589	20	4	101	252	212
— 2	975	—	3	7	785	180
— 3	379	1	1	4	173	160
Total	17129	737	260	620	11723	3789

* Camps for which most returns are available.
** Defective registration: no cause certified.
Source: A Porter, *The Diseases of the Madras Famine of 1877-78*, Madras, 1889, Appendix C.


TOTAL PRIZE
AMT. RS. 55 LAKH
श्री
Price per Ticket Rs.5
SHREE Monthly BUMPER DRAW
COMMON PRIZE Rs. 21 LAKH
FOUR PRIZES OF Rs. 1 LAKH EACH
FOUR PRIZES OF Rs 25 THOUSAND EACH
TWENTY PRIZES OF Rs 5 THOUSAND EACH
• Prizes above Rs 5000 will be drawn from the SOLD TICKETS only
• The numbers of winning Tickets are drawn under the supervision of a panel of eminent personalities
• Also Many More Prizes
• DRAW : THURSDAY, 17 TH JUNE 1993 AT BOMBAY
MAHARASHTRA STATE LOTTERY
DGIPR

FIGURE 8: PUNJAB—REGISTERED MORTALITY, 1896, 1897—PRINCIPAL CAUSES



Sources: Reports of the Sanitary Administration, Punjab, 1896-98

in the famine year, 1868; in Tonk in 1869, when an estimated 25 per cent of the population had died, 50 per cent of these from "the fever that followed the rains"; in the central provinces the same year, "the exceptional mortality" was reported to have begun just when the famine ended; the scourge of the times was "fever".[16]

The association of drought, excessive rainfall and epidemic malaria was thus well known. A noxious miasma, malaria, exhaled by saturated soil was generally believed to be the cause. Cornish subscribed to this opinion, and assumed that saturation of soil overheated by prolonged drought must intensify the exhalation. But he made a striking observation which was incidental to his analysis of fever mortality, and irrelevant to the ruling miasma theory: "malarious fevers following on famine are just as much natural phenomena as the enormous development of insectivorous life after prolonged drought".[17] Insectivorous species throve on the enormous proliferation of insects, amongst them the mosquito, unleashed in the intense humidity when the rains broke the drought. Two years after the Madras famine, Laveran in Algeria identified the malaria parasite, *plasmodium spp*. In 1896, Manson predicted that malaria in man would prove to be transmitted by mosquito. In 1898, Ross established by experiment that malaria in man was vector-borne, transmitted by the bite of the female anopheline mosquito, and determined the phases of the life-cycle of the parasite plasmodium in the vector anopheline. The vector was the key to the relation between climate and malaria, demonstrated by the catastrophic events in Madras, 1877-78.

Those years of famine were distinguished not by drought alone, but by drought and episodic, often tempestuous, rainfall. Drought and the scarcity of foodstuffs resulted in widespread starvation, confirmed by clinical examination, in migration and overcrowding in towns and camps where conditions favoured contagion and hundreds of thousands died of dysentery and diarrhoea. This was the classic mortality of famine, provoked by starvation and aggravated by the precisely those measures devised by government to relieve it. But the greatest mortality in the famine years came after the drought had broken, from epidemic malaria.

Is this pattern of climatic conditions, not unrelieved drought but prolonged, intense drought broken at its height by rain, and this biphasic pattern of mortality, seasonal and skewed heavily to the 3rd and 4th quarters of the year, to be found in other great famine years distinguished by colossal mortality? Evidence from Punjab, from two years, 1896-97 and 1900-01, when scarcity and famine were officially declared, proves instructive.

II
Punjab
(1) 1896-97

The famine year, 1896, in Punjab was a dry year, a year in which drought was widespread and persistent and rainfall, particularly in the crucial third quarter, significantly below the average for the decade (Table 3 and Figure 6).

In the course of the year, prices rocketed in response to the drought, and the export-trade in foodgrains. Government set up public works camps in the worst-hit districts, Lahore, Hissar, Gurgaon and Ferozepore. Migration, however, was reported to be modest, and to have tailed off before the hottest months.[18]

Conditions in Punjab in 1896 differed strikingly from Madras in 1877. So did the seasonal distribution of mortality (Figure 7). The highest incidence is recorded early in the year, with no late peak. The figures for 1897, when the climate returned to 'normal', show the pattern of seasonal distribution characteristic of 'normal' years, and similar, in the shape of the curve for the later months, to the catastrophic year in Madras, 1877.

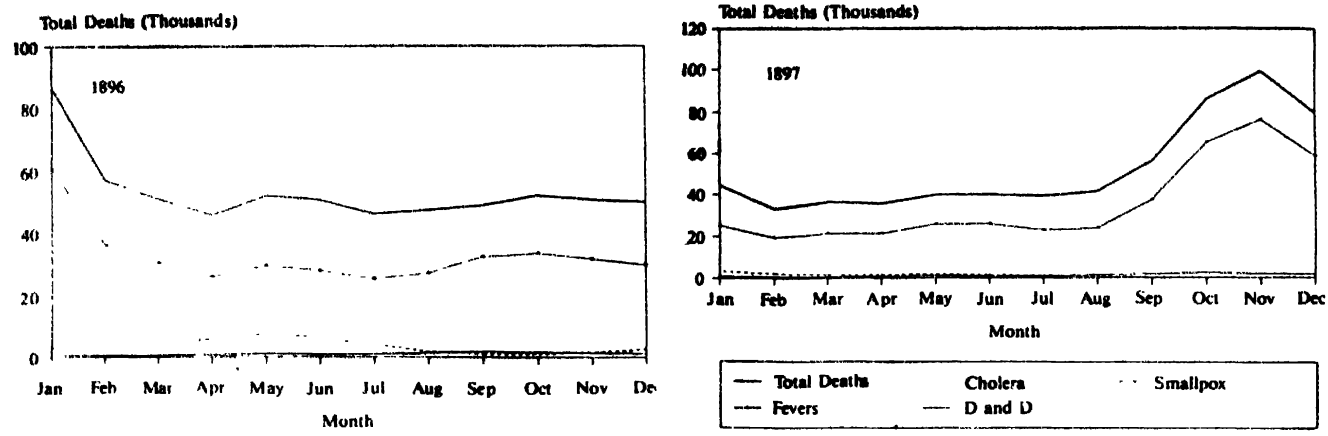
An examination of the distribution of mortality in Punjab by principal cause is illuminating (Figure 8). Smallpox, the disease most characteristically associated with drought, reached record levels in 1896. The 'famine diseases', of overcrowding, cholera and the diarrhoeal diseases, were relatively insignificant. 'Fever' accounted for the overwhelming majority of deaths in both 1896 and 1897, as in every year in Punjab. The seasonal distribution of total mortality follows the curve for 'fever' mortality closely (Figure 9). 6,42,078 deaths were recorded for the famine year, 1896, in Punjab, 6,30,617 for the following year, a rate of 31.5 per mille, shockingly high; but significantly lower than the average death rate for the decade, 39 per mille.

The observations of the Sanitary Commissioner provide an explanation. Cholera, he reported, had been "introduced into many localities but conditions favourable to the growth and virulence of the micro-organism were wanting in most places".[19] Four years earlier, epidemic cholera had swept through Punjab, accounting for nearly a third of the total mortality for the province in 1892, at a rate of 49.5 per mille. In 1896, the contagion was somehow contained. Relief camps were fewer, confined largely to the Delhi division, and wound up after a few months. The provision of disinfectant— potassium permanganate—for municipal water-supplies may have been effective. The level of immunity in survivors of the recent epidemic was no doubt high. Diarrhoeal

TABLE 3: PUNJAB—CHRONOLOGY OF EVENTS, 1895-1897

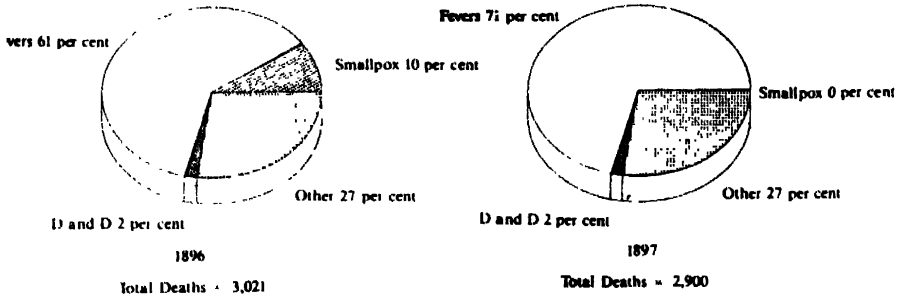
1895 Jan-May	Crop ↑
	Wheat exports ↑ ↑
	Prices ↑
Jun	Rain ↑
Jul	Rain ↓
Aug	Rain moderate—heavy
Sep	Rain ceased
	SE, SW: Crop failure
1895 Dec-1896 Mar	Rain ↓
	Crop ↓ ↓
	Prices ↑
	Wheat exports ↓
	Lahore: Relief works
May	Rain—slight
Jun Jul	Rain ↓
Aug	Rain ↓ ↓
	Temperature ↑
Sep	Rain ceased
	Crop failure
	Prices ↑ ↑
	Scarcity general + Famine, Delhi division, Gujarat
Oct-Nov	↑ Temperatures and hot winds
Dec	No rain
1897 Jan	Rain: Late, unusually prolonged
Apr	Crop ↑
	Prices ↓

Sources: *Report of the Revenue Administration, Punjab*, 1895-1898; *Report of the Sanitary Administration, Punjab*, 1895-1898.



Sources: Reports of the Sanitary Administration, Punjab, 1896-98

FIGURE 10 PUNJAB—WESTERN JUMNA CANAL, KARNAL AND DELHI DIVISIONS REGISTERED MORTALITY, 1896, 1897: PRINCIPAL CAUSES



urces: Reports of the Sanitary Administration, Punjab, 1896-98

diseases accounted for no more than 0.68 deaths per mille, for similar reasons.[20] Conditions, that is, drought, were eminently favourable to the transmission of smallpox. Mortality, at a rate of 2.19 per mille, was reported in a characteristic seasonal distribution, maximum in May at the height of the drought, minimum in September-October.

As in every year, so in 1896, fever was the largest single cause of mortality: over 3,90,000 registered deaths. But the rate of 19.15 per mille was more or less equivalent to that recorded for 1895, markedly less than the rate in 1894—25 per mille, and far below the decade average, over 29 per mille. The figures for 1896 came as no surprise to the Sanitary Commissioner:

> In this Province (and generally in India), a deficiency of rainfall and a low death-rate from fevers are almost invariably associated...whereas heavy rainfall, followed as it is by the swamping of low-lying places, great floods, and excessive moisture in the soil is almost invariably followed by high fever mortality...the curve generally falling during the rain, while in the succeeding dry weather the cases increase. The rise and fall of the ground water, by causing variations in the amount of moisture present [in the soil] evidently plays an important part in producing or controlling outbreaks of paroxysmal fevers...With a permanently lowered subsoil water the general health of the population living on the land remains good.[21]

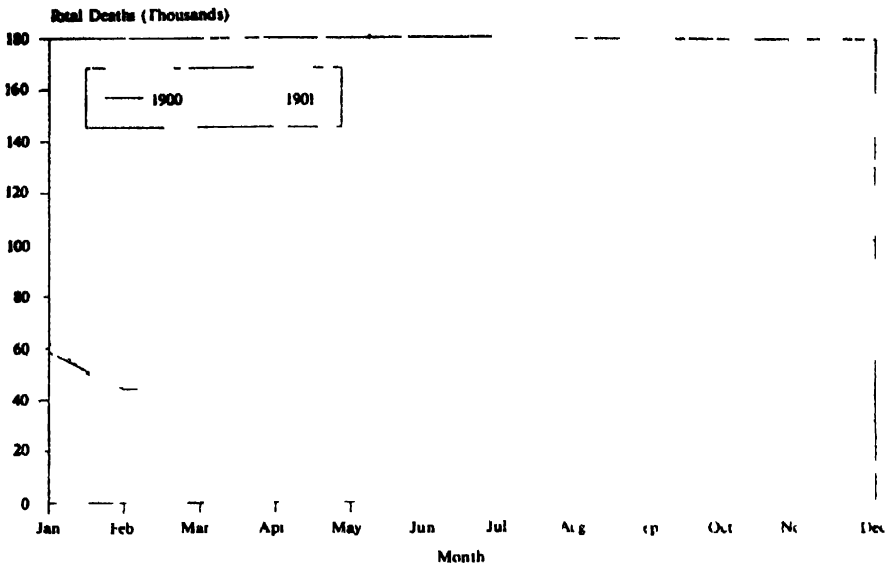
In 1896, rainfall was deficient throughout Punjab and the groundwater level low in most parts of the 20 districts of the plains. In 10 districts, high groundwater levels persisted even in the driest years: three in the submontane region to the north, and five plains districts, much of them low-lying, with extensive perennial irrigation from high-level canals. Marsh and waterlogging were familiar features in these districts. And in these districts, and these alone, the death rate in 1896 was the highest in the province, and fever mortality far in excess of the provincial average. The highest death rates from fever were recorded in the districts served by the lower reaches of the Western Jumna Canal. In less than a decade after its opening in 1820, this stretch of the canal had become notorious for persistent waterlogging from seepage and obstruction of natural drainage and a persistently high incidence of fever. Clinical surveys were carried out along it, in exhaustive detail, in 1846-47 and thereafter at intervals throughout the 19th century. Successive attempts were made to remedy the "unhealthiness" associated with the canal by realignment and surface drainage cuts. The canal however flowed through a shallow basin. The natural disadvantages of drainage were not only not relieved, but compounded by the surface cuts, which tended to become pools of sluggish or stagnant water. Drought and famine in the early 19th century had in part prompted the construction of the western Jumna Canal.[22] In the drought and famine year of 1896, mortality in the Karnal and Delhi

TABLE 4: PUNJAB—CHRONOLOGY OF EVENTS, 1898-1900

1898	May-Jun	No rain
	Jul	Rain, but ceased early
	Aug-Sep	Rain ↓↓ Crop ↓↓ —Wheat exports ceased Impending famine—Hissar: Relief works
	Oct-Nov	No rain
	Dec	Rain patchy
1899	Jan-Feb	No rain
	Mar	Rain patchy Crop ↓
	May	Temperature ↑↑
	Jun	Rain ↑↑
	Jul-Sep	Rain ↓↓ Crop ↓↓ Prices ↑↑
	Oct-Nov	Unusually dry
	Dec	No rain
1900	Jan-Feb	Rain ↓↓ Crop ↓↓ Wheat exports ↓↓
	Mar	Temperature ↑↑
	Apr-May	Fodder ↓↓ —Cattle mortality ↑↑ Delhi, Lahore divisions: Famine conditions ↑ No state relief found necessary
	Apr	West: Rain ↑↑ Crop ↑
	May-Jun	Temperature ↑↑
	Jul-Sep	Rainfall ↑↑↑ Crop ↑↑
	Oct-Nov	Dry Prices ↓
	Dec	Rain: Timely, sufficient
1901	Mar	Prices ↓

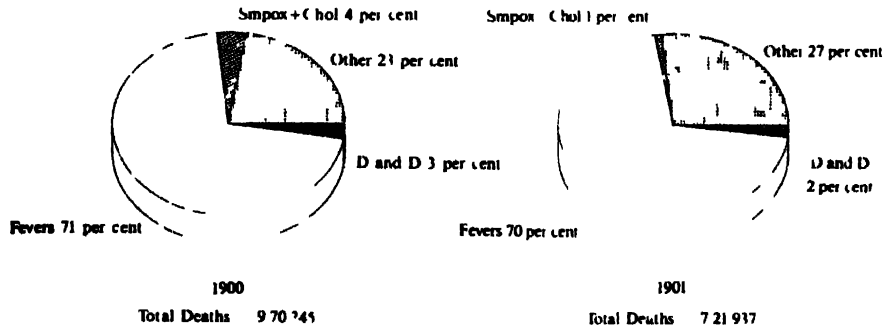
Sources: Report of the Revenue Administration, Punjab, 1899, 1900, 1901; Report of the Sanitary Administration, Punjab, 1898, 1899, 1900, 1901.

FIGURE 11 PUNJAB—REGISTERED MORTALITY, 1900, 1901: MONTHLY DISTRIBUTION



Sources: Reports of the Sanitary Administration Punjab 1899-1901

FIGURE 12: PUNJAB—REGISTERED MORTALITY, 1900, 1901: PERCENTAGE DISTRIBUTION BY PRINCIPAL CAUSES



Sources: Reports of the Sanitary Administration Punjab 1899-1901

divisions of the canal was the highest for Punjab, and fever was its principal cause (Figure 10)

Quinine was now officially recognised as an agent of prophylaxis But the prospect of prophylaxis was wrecked on the rocks of administration An experimental system introduced in Delhi division, by which quinine was to be sold through the post office, had proved a failure [23] No alternative scheme was prepared

(2) 1900-01

The famine year, 1900, was marked by a catastrophic coincidence of drought, and rain, conditions starkly reminiscent of the great famine year 1877 in Madras and reflected, as in Madras that year, in the scale, and the pattern, of mortality (Table 4 and Figure 11)

"The year 1900", Dr Bamber, the Sanitary Commissioner reported, "will long be remembered as one in which the Province suffered severely from famine, then cholera and lastly malarial fever' [24] (Figures 12 and 13)

Cholera struck hardest where famine struck hardest in the south eastern districts of Hissar and Rohtak, a continuation of an outbreak in 1899 The spread of the disease could be mapped with precision from the movements of labourers to government's relief camps On December 13, 1899, a tank used by famine relief labourers in Hissar was reported to be contaminated Some of the labourers moved on to neighbouring Rohtak, where the first case for the district was reported on December 19, in a family of labourers on the relief works On April 10, 1900, an outbreak of cholera was reported in a famine relief camp at Delhi, amongst a gang of chamars "imported from Rohtak" The medical officers of the sanitation department understood the situation perfectly and, since contamination of the camps' water-supply could not be prevented, knew that they were powerless to change it "If the landless labourers resorted to relief camps", Dr Derbyshire observed, they "stood a greater risk of dying" Cholera raged on in the south east, reaching its highest incidence in July By November, the epidemic had, characteristically, "lost its virulence By December, it had virtually disappeared" [25]

In 1900 severe drought was followed by unseasonably heavy rainfall 'Fever' then far outstripped cholera Conditions in Ferozepore district were typical epidemic malaria, following the very heavy rainfall late in September Malaria accounted for nearly 6,86 000 deaths throughout Punjab in 1900 a rate of more than 33 per mille Rainfall compounded persistent waterlogging and its noxious effects Mortality, pre eminently fever mortality, was again maximal in the districts served by the lower reaches of the Western Jumna Canal bad in a dry year, and catastrophic in a wet one Reviewing the mortality returns the Sanitary Commissioner called again for attention to be paid to prophylaxis Mortality in this famine year was the mortality of each and every year writ large

> As fever causes more than two thirds of the mortality in this province annually I am strongly of the opinion that some special arrangements should be made for the distribution of quinine in all parts of the province [26]

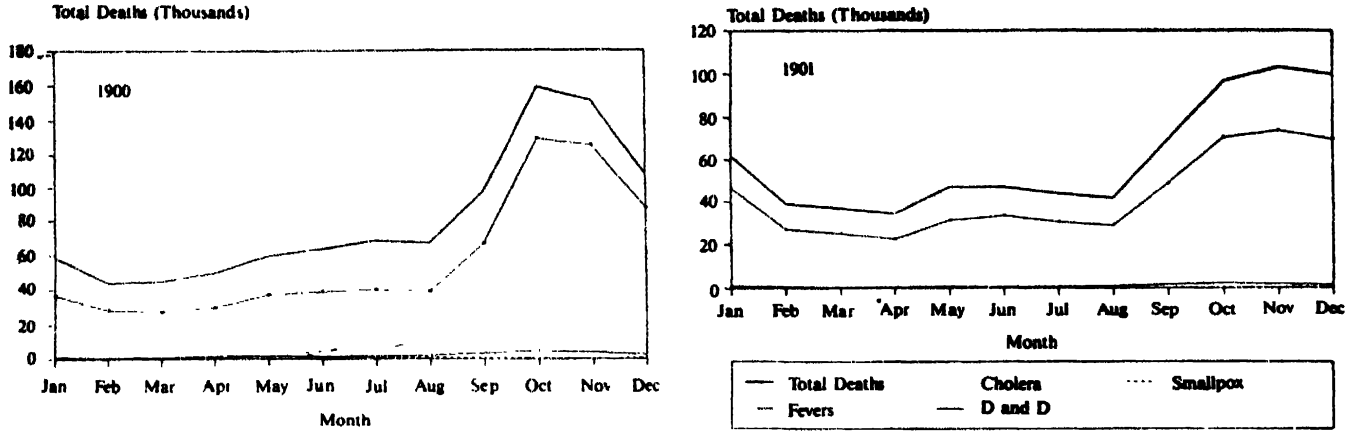
In the Sanitary Commissioner's budget for that year expenditure per district on quinine supplies came to Rs 60

III
Why Malaria?

Malaria reaps the harvest prepared for it by the famine or so it seemed to the distinguished malariologist Christophers commenting on the Punjab epidemic of 1908 A crucial part of the explanation lies not in famine as such but rather in the peculiar climatic character of the famine years marked by greatest loss of life years not of drought alone as in Punjab in 1896 but of extreme drought and of rain as in 1900 in that province, and in Madras in 1877 Christophers described the characteristic patterns of rainfall temperature and sub soil moisture associated with endemic and epidemic malaria [28] His colleague Gill identified climatic factors which were critical in transmission pooling of fresh rainwater, which provided the anophelines' breeding-places, and atmospheric humidity, which regulated the longevity, and therefore the breeding time, of the vector A level of atmospheric humidity of 63 per cent, Gill suggested was critical, below this, the anopheline could not breed [29]

In 'normal' years, the persistence of high temperatures during the rains regu-

FIGURE 13: PUNJAB—REGISTERED MORTALITY, 1900, 1901—PRINCIPAL CAUSES: MONTHLY DISTRIBUTION



Sources: Reports of the Sanitary Administration, Punjab, 1899-1901

larly created conditions which favoured the proliferation of the vector, and a 'normal' autumnal wave of malaria regularly followed. In years of drought, high temperatures with little or no rain drove atmospheric humidity well below the critical breeding level; the incidence of malaria, and annual mortality fell below 'normal' levels. The history of Punjab in the famine year of 1896 demonstrates precisely this: mortality in the drought-stricken districts of the plains below the average for the decade, while mortality in the perennially waterlogged and "pestilential" districts of the Western Jumna Canal, by contrast, was far in excess of provincial rates. In the famine years of greatest mortality, the association of prodigiously high temperatures with 'unseasonable' rain greatly increased the level of atmospheric humidity and prolonged it, creating the optimal conditions for a massive proliferation of vectors and an uncommon increase in their longevity, signalled by that "extraordinary development of insectivorous life" which Cornish had observed in Madras "whenever unseasonably heavy rain followed drought".

Proliferation of anophelines on such a scale favoured an increase in infectivity sufficient to destabilise the precarious equilibrium between infection and immunity which obtained in areas where malaria was endemic in 'normal' years. The intense and prolonged drought so characteristic of these famine years may also have played its part in destabilisation. In 'normal' years, anophelines feed on cattle, in addition to human, blood in a ratio of perhaps 3:1 blood-meals. It has been observed that outbreaks of cattle plagues, of rinderpest for example, with its huge cattle mortality, were followed not infrequently by an epidemic of malaria.[30] Deprived of cattle, anophelines fed increasingly on humans, thus increasing the rate of transmission of the parasite. In the months of drought in famine years, cattle died in far greater numbers than from plagues. The vector population, swollen by the enhanced rate of proliferation induced by the heightened humidity when rain followed the drought, fed almost exclusively on humans. Cattle mortality in all probability contributed significantly to human morbidity and mortality in these catastrophic years.

These factors alone may have been sufficient to overwhelm host defences. The relation of infectivity to the nutritional status of the host is even today obscure. In the months of drought and worsening scarcity, the incontrovertible physical signs of starvation were repeatedly observed. Drought and starvation drove the labouring poor into the insanitary conditions which took so great at a toll in the famine. Here, in the first of the two great phases of famine mortality, "it was not the heat of the sun which scorches, but the sand which is heated by the sun". The risk was recognised. Kipling's heroic "William the Conqueror" organised the distribution of his foodgrains in the famine, very possibly the Madras famine of 1877-78, by carts amongst the villages precisely to minimise the risk of contagion associated with famine camps.[31] In the camps, rife first with cholera and then other diarrhoeal diseases, no case of fever—malarious fever, the greatest killer in the famine years as in all years, had been reported as late as July. In Madras, 1877 and 1878, and in Punjab in 1900-01, but not in 1896-97, a huge rise in mortality came with the huge increase in the incidence of malaria, from late August through September, October, November, December. Malaria took its toll on all classes of the population. It is conceivable that the starving poor were less susceptible to malaria than the well-fed, as the Woodhead commission was to suggest in reviewing the evidence of the Bengal famine of 1943. Such observations are consistent with Murray's recent hypothesis, from field studies in Africa, that "refeeding" may enhance susceptibility to malaria.[32]. The traditional practice of treating malaria by *lunkernam*, starvation, or, more properly, abstinence, as surgeon Sturmer, for example, observed in Nellore in 1877[33] may well be pertinent. How precisely the fasting, or starving, state may protect the host remains to be determined. It is conceivable that anaemia, an inevitable concomitant of famine, could play a specific part, perhaps by denying the parasite its required nutrient in its passage in the red blood cell.

The picture which emerges from this brief sketch is frightful. The giant misery of starvation was compounded by the appalling conditions of migration and overcrowding into which the starving poor were driven, often literally to death, conditions exacerbated by the official measures devised for famine relief. Worse, in the great famine years, by perhaps the cruellest of the many cruel ironies of famine history, rain which might have been expected to bring respite to the survivors of the drought instead intensified their suffering: epidemic malaria took its colossal toll. In other years drought, where it persisted, ironically limited mortality. But this saving grace was denied to the wretched populations of the submontane marshland and the waterlogged districts along the lower Western Jumna Canal, where irrigation, intended to solve the problem of famine, added its quota to the principal cause of famine mortality, malaria.

The history of famine mortality raises many questions. The search for answers should lead to an understanding of famine more commensurate with its complexity. The observations set out briefly here are not unique. Outbreaks of famine in every province of British India were documented, and while few observers may have possessed the acumen of Cornish and his pathologist Porter, all reported in detail the manifestations of disease and the physical conditions associated with them. The overriding importance of malaria in famine years is well described, notably in

the extensive review of famine demography by Dyson.[34] With such groundwork, an epidemiological history of famine in south Asia becomes not merely desirable but a practical proposition.

One cannot but marvel at India's instructiveness: so terrible a history, but one which can be known better than any other by reason of the incomparable wealth of its documentation. No one appreciated better the richness of India's record than Daniel Thorner, nor better understood how to use the lessons of its past to illuminate the present. His explorations, with Alice, of modern India are informed at every turn by history, every observation sharpened by comparison with the written record. Their work is honoured in the way they best deserve, in the inspiration given to others to continue it, many with the help of this great scientific institution, the Indian Statistical Institute, many with the active encouragement of Daniel and Alice. Our debt to Alice is beyond measure, for her generosity in keeping this great friendship with India so wonderfully alive.

Notes

[This paper is a revised version of the fourth Daniel Thorner Memorial Lecture given at the Indian Statistical Institute, Calcutta, in January 1991. My most grateful thanks are due to Lola Nathaniel, who compiled the tables and figures; to the Wellcome Trust, for the research grant which made it possible to draw on Lola Nathaniel's expertise; to David Arnold, for providing an introduction to the famine literature of Madras; to David Bradley, for an introduction to the epidemiology of malaria; to Harold Lambert, for advice as to the interpretation of medical observations; to Tim Dyson, for assistance with demographic records.]

1 Government of Madras, *Review of the Madras Famine, 1876-78*, Madras, 1878 p 73. Hereafter, *Review, 1876-78*.
2 Ibid.
3 *Annual Report of the Sanitary Commissioner, Madras*, 15, 1878, p lxxiv.
4 *Review, 1876-78*, pp 26.
5 Ibid, pp 27-32.
6 *Annual Report of the Sanitary Commissioner, Madras*, 15, 1878, p xi.
7 Ibid, p xi.
8 Ibid, pp x-xxiv.
9 Ibid, pp x-xxiv.
10 Ibid, p lxxxv.
11 Ibid, pp xxv-xxvi.
12 *Annual Report of the Sanitary Commissioner, Madras*, 14, 1877, sec 457.
13 *Annual Report of the Sanitary Commissioner, Madras*, 15, 1878, pp xii-xiii; xxxvii-li.
14 *Review, 1876-78*, Appendix B; and see T Dyson, 'On the Demography of South Asian Famines', I, *Population Studies*, 45, 1991, 5-25 at p 10.
15 *Annual Report of the Sanitary Commissioner, Madras*, 15, 1878, pp xxvii-xxviii.
16 Ibid, p xxix.
17 Ibid, p xxix.
18 *Report of the Sanitary Administration, Punjab*, 1896, 1897; Government of India, *Revenue and Agriculture (Famine) Proceedings*, Punjab, December 1896, nos 121-22.
19 Government of Punjab, *Home (Medical and Sanitation Department) Proceedings*, July 12, 1897, No 682 S; *Report of the Sanitary Administration, Punjab*, 1896.
20 Ibid
21 *Report of the Sanitary Administration, Punjab*, 1896, sec 42, Appendix, Proceedings of the Sanitary Board, 1896
22 On the history of the western Jumna Canal, See E Whitcombe, 'British India: The Costs of Irrigation —Waterlogging, Salinity and Malaria' in D Arnold and R Guha (eds), *The Environmental History of South Asia* (forthcoming, 1993).
23 *Report of the Sanitary Administration, Punjab*, 1896, sec 43.
24 *Report of the Sanitary Administration, Punjab*, 1900, sec 1.
25 Ibid, sec 23.
26 Ibid, sec 42.
27 S R Christophers, 'Malaria in the Punjab', *Scientific Memoirs by the Officers of the Medical and Sanitary Departments of the Government of India*, N S, No 46, Calcutta, 1911, p 109.
28 Ibid, pp 90-104.
29 C A Gill, *The Seasonal Periodicity of Malaria and the Mechanism of the Epidemic Wave*, Churchill, London, 1938, pp 48-49.
30 David Bradley (personal communication).
31 R Kipling, 'William the Conqueror' in *The Day's Work*, Macmillan, London 1899, pp 170-214 (reference from Harold Lambert, personal communication).
32 M J Murray, et al, 'Refeeding-malaria and Hyper-ferraemia', *Lancet*, March 22, 1975, pp 653-54.
33 *Annual Report of the Sanitary Commissioner, Madras*, 15, 1878, p xxix.
34 T Dyson, 'On the demography of South Asian famines', *Population Studies*, 45, 1991, 5-25; 279-97.

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BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

BALANCE SHEET AS AT 31ST MARCH, 1993

	Schedule	31st March, 1993 Rs in 000's	31st March, 1992 Rs in 000's
CAPITAL AND LIABILITIES			
Capital	1	150,000	150,000
Reserves and Surplus	2	34,094	10,046
Deposits	3	512,165	294,023
Borrowings	4	701,083	201,534
Other liabilities and provisions	5	77,122	69,778
TOTAL		1,474,464	725,381
ASSETS			
Cash and balances with Reserve Bank of India	6	109,550	9,429
Balances with Banks and money at call and short notice	7	24,067	251,856
Investments	8	157,528	98,525
Advances	9	1,008,429	251,805
Fixed Assets	10	23,724	23,540
Other Assets	11	151,166	90,226
TOTAL		1,474,464	725,381
Contingent Liabilities	12	3,997,212	3,097,640
Bills for Collection		298,105	21,941

Notes on Accounts 17

The schedules referred to herein form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1993

	Schedule	Year ended 31st March, 1993 Rs. in 000's	Year ended 31st March, 1992 Rs in 000's
I) INCOME			
Interest earned	13	289,663	212,323
Other income	14	23,962	12,809
TOTAL		313,625	225,132
II) EXPENDITURE			
Interest expended	15	205,370	163,013
Operating expenses	16	27,792	20,529
Provisions & contingencies		56,415	23,445
TOTAL		289,577	206,987
III) PROFIT/LOSS			
Net profit/(loss) for the year		24,048	18,145
Profit/(loss) b/f		6,417	(8,099)
TOTAL		30,465	10,046
IV) APPROPRIATIONS			
Transfer to statutory reserves		4,810	3,629
Balance carried over to Balance Sheet		25,655	6,417
		30,465	10,046

Notes on Accounts 17

The schedules referred to herein form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date.

Sharp & Tannan
Chartered Accountants
By the hand of

Sd/
M P Narsang
Partner

Bombay
Dated 11th June, 1993

For Barclays Bank PLC, Indian Branch

Sd/	Sd/-	Sd/-
Nakul Madhavji	Peter Douds	Stephen Barnes
Financial Controller	Manager-Operations	Chief Manager, India

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1993

	31st March, 1993 Rs. in 000's	31st March, 1992 Rs. in 000's
Schedule 1-Capital		
Start-up Capital as prescribed by RBI (Of this Rs. 7,000,000 is deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949.)	150,000	150,000
TOTAL	150,000	150,000
Schedule 2-Reserves and Surplus		
I) Statutory Reserves		
Opening Balance	3,629	
Additions during the year	4,810	
	8,439	3,629
II) Balance in Profit and Loss Account	25,655	6,417
TOTAL	34,094	10,046
Schedule 3-Deposits		
A.I) Demand Deposits		
i) From banks	-	
ii) From others	41,172	41,172	4,755
II) Savings Bank Deposits	6,996	1,566
III) Term Deposits		
i) From banks	-	
ii) From others	463,997	463,997	287,702
TOTAL	512,165	294,023

	31st March, 1993 Rs. in 000's	31st March, 1992 Rs. in 000's
Schedule 4-Borrowings		
I) Borrowings in India		
i) Reserve Bank of India	113,200	1,534
ii) Other banks	515,383	200,000
iii) Other institutions and agencies	72,500	-
TOTAL	701,083	201,534
Secured borrowings included above-Nil		
Schedule 5-Other Liabilities and Provisions		
I) Bills Payable	8,679	6,224
II) Interest Accrued	61,352	35,588
III) Others (including provisions)	7,091	27,966
TOTAL	77,122	69,778
Schedule 6-Cash and Balancer with Reserve Bank of India		
I) Cash in hand (including foreign currency notes)	133	137
II) Balances with Reserve Bank of India		
i) In Current Account	109,417	9,292
TOTAL	109,550	9,429

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1993

	31st March, 1993 Rs in 000's	31st March, 1992 Rs in 000's
Schedule 7-Balances with Banks and Money at Call and Short Notice		
I) In India		
i) Balances with banks		
a) In Current Account	24,067	11,856
ii) Money at call and short notice		
a) With banks	-	240,000
TOTAL	24,067	251,856
Schedule 8-Investments		
I) Investments in India in		
i) Government securities	137,528	98,525
ii) Other approved securities	20,000	-
TOTAL	157,528	98,525
Schedule 9-Advances		
A) i) Bills purchased and discounted	242,911	219,330
ii) Cash credits, overdrafts and loans repayable on demand	244,025	32,475
iii) Term loans	521,493	-
TOTAL	1,008,429	251,805
B) i) Secured by tangible assets	275,766	61,489
ii) Covered by Bank/ Government Guarantees	-	5,704
iii) Unsecured	732,663	184,612
TOTAL	1,008,429	251,805
C) I Advances in India		
i) Priority Sectors	45,000	-
ii) Others	963,429	251,805
TOTAL	1,008,429	251,805

	31st March, 1993 Rs. in 000's	31st March, 1992 Rs. in 000's
Schedule 10-Fixed Assets		
I) Premises		
At cost at the beginning of the year	15,111	-
Additions during the year	1,708	15,111
Depreciation to date	(548)	(219)
	16,271	14,892
II) Other Fixed Assets (including furniture and fixtures)		
At cost at the beginning of the year	11,615	9,240
Additions during the year	1,438	2,375
Deductions during the year	(299)	-
Depreciation to date	(5,301)	(2,967)
	7,453	8,648
TOTAL	23,724	23,540
Schedule 11-Other Assets		
I) Inter office balances (foreign branches)	67,219	25,632
II) Interest accrued	19,580	4,062
III) Tax paid in advance/ tax deducted at source	1,583	1,196
IV) Others	62,784	59,336
TOTAL	151,166	90,226
Schedule 12-Contingent Liabilities		
I) Liability on account of outstanding forward exchange contracts	1,757,238	1,489,854
II) Guarantees given on behalf of constituents a) In India	527,033	258,243
III) Acceptances, endorsements and other obligations	614,241	444,543
IV) Liability on account of bills of exchange rediscounted	1,098,700	905,000
TOTAL	3,997,212	3,097,640

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1993

	Year ended 31st March, 1993 Rs. in 000's	Year ended 31st March, 1992 Rs. in 000's
Schedule 13-Interest Earned		
I) Interest/discount on advances/bills	223,788	182,326
II) Income on Investments	13,049	5,834
III) Interest on balances with Reserve Bank of India and other inter-bank funds	52,539	24,072
IV) Others	287	91
TOTAL	289,663	212,323
Schedule 14-Other Income		
I) Commission, exchange and brokerage	11,055	4,024
II) Profit on sale of investments (net)	273	611
III) Loss on sale of assets	(91)	-
IV) Profit on exchange transactions (net)	12,685	8,132
V) Miscellaneous income	40	42
TOTAL	23,962	12,809
Schedule 15-Interest Expended		
I) Interest on deposits	44,403	21,052
II) Interest on Reserve Bank of India/inter-bank borrowings	158,401	141,351
III) Others	2,566	610
TOTAL	205,370	163,013

	Year ended 31st March, 1993 Rs. in 000's	Year ended 31st March, 1992 Rs. in 000's
Schedule 16-Operating Expenses		
I) Payments to and provisions for employees	9,073	5,867
II) Rent, taxes and lighting	2,651	2,232
III) Printing and stationery	515	407
IV) Advertisement and publicity	155	106
V) Depreciation on Bank's property	2,751	2,292
VI) Director's and Local Advisory Board member's fees, allowances and expenses	15	20
VII) Auditors' fees and expenses	52	40
VIII) Postage, telegrams, telephones, etc.	3,986	3,164
IX) Repairs and maintenance	963	989
X) Insurance	357	349
XI) Other expenditure	7,274	5,063
TOTAL	27,792	20,529

BARCLAYS BANK PLC

INDIAN BRANCH

(Incorporated in the United Kingdom with Limited Liability)

Schedule 17-Notes Forming Part of the Accounts for the year ended 31st March, 1993

1. Principal Accounting Policies

   (a) General
   The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

   (b) Transactions involving foreign exchange
   (i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year. Non-monetary assets have been carried in the books at the contracted rates.
   (ii) Income and expenditure items have been translated at the exchange rates ruling on the date of the transaction.
   (iii) Outstanding forward contracts have been revalued at the exchange rates prevailing at the close of the year.

   (c) Investments
   Investments in Government and other approved securities in India are valued at cost. Market value as on 31st March, 1993 is Rs. 162,747,000/-.

   (d) Fixed assets
   (i) Premises and other fixed assets have been accounted for at their historical costs.
   (ii) Depreciation has been provided on the straight line method at the rates specified by Barclays Bank PLC. In respect of subsequent additions depreciation is provided with effect from the quarter in which the additions are made.

   (e) Staff benefits
   Contribution to the Gratuity Fund has been made as per actuarial valuation.

   (f) Net profit
   The net profit disclosed in the profit and loss account is after:
   (i) Provisions for taxes on income in accordance with statutory requirements
   (ii) Other usual or necessary provisions.

2. At 31st March, 1993 the bank's risk weighted capital ratio was 8.29%.

3. The previous year's figures have been regrouped wherever necessary.

Auditors' Report on the Indian Branch of Barclays Bank PLC.

We have audited the attached Balance Sheet of the Indian Branch of Barclays Bank Plc. as at 31st March, 1993 and also the annexed Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that in accordance with sub-section (3) of Section 30 of the Banking Regulations Act, 1949.

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.

b) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branch of the Bank.

c) In our opinion, proper books of account as required by law have been kept by the Indian Branch so far as appears from our examination of those books.

d) The Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account.

e) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March, 1993 and of its profit for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
By the hand of
Sd/-
M. P. NARSANG
Partner

Bombay
Dated: 11th June, 1993

Rational Expectations and Price Behaviour in India

Pulapre Balakrishnan

It has been claimed that a principal proposition of the New Classical Macro-economics, namely, the neutrality of anticipated monetary growth under rational expectations, is applicable to the Indian economy. I provide evidence to refute this view. The results presented here bear a greater claim being based, as they are, upon superior modelling and more acceptable econometric practice. They suggest, among other things, that the monetary authority in India cannot be certain of containing inflation solely by implementing a pre-announced reduction in the money growth rate, leave alone being able to do so costlessly

I
Introduction

E GHANI has claimed [Ghani 1991] that output and prices in the Indian economy behave as envisaged by the proponents of the new classical macro-economics. Before I re-work his exercises according to what I argue is, in the context, the appropriate econometric methodology, I need to very briefly spell out the new classical view.

When the theory of rational expectations is combined with the assumption of instantaneous market-clearing, only unanticipated money-growth can affect the level of output, anticipated money growth affecting only the price level. This simple idea is summed up by the 'surprise' [Lucas 1973] supply function

$$Y_t = Y_n + \lambda(p - p^e)_t + \varepsilon_t \qquad (1)$$

where Y = output (subscripts 't' and 'n' denoting the current and natural levels, respectively), p = the inflation rate (superscript 'e' denoting the expectation), and $\lambda > 0$. Now if it is taken as given that the inflation rate is entirely determined by the growth of the money stock, equation (1) is appropriately re-written with the money growth terms, actual and anticipated, having been substituted in for the inflation terms. The supply function then sustains the interpretation that the deviation of the actual output from its 'natural' level is a function of the extent of unanticipated money growth.

The first attempt to evaluate the Lucas proposition empirically, which also meant devising an appropriate test, was due to Barro [see Barro 1977]. While more or less accepting Barro's implementation of the test of the natural-rate proposition, *per se*, Pesaran (1982) pointed out that Barro's Econometrics was incomplete because it did not test alternative explanations (say, for instance, the Keynesian) of the determination of output. As far as possible, I have adopted Barro's specifications. Since the new classical proposition was rejected by the data, I have not proceeded to implement Pesaran's suggestion that alternatives to the natural rate-rational expectations model to be tested. I present my results below, turning to Ghani's paper at the appropriate state.

II
Modelling the Money Supply Process

Following Barro (1977) money growth is specified as an autoregressive distributed-lag model featuring *inter alia* the behaviour of the monetary authority Regarding the latter, for the US economy Barro considers the money supply implications of the counter-cydical stance of the Federal Reserve and of the tendency of money growth to accelerate when the real expenditure of the federal government exceeds the norm. Of these, I ignore the latter on the grounds raised by Pesaran that to assume that agents know the level of current real expenditure involves assuming that they know the general price level with certainty. This must go against the spirit of the surprise supply-function which construct is based on the idea that agents predict the general price level only up to a random term. Note that this is the assumption so crucial to the postulate that unanticipated money growth increases output. As for the monetary policy stance of the Reserve Bank of India, India's monetary authority has tended to target the inflation rate rather than to stabilise the level of output. These considerations lead to a specification of a money growth (Dm) equation in the deviation of agricultural output from trend (Xa/Xa*) and in its own past values. A priori, one would expect the former variable to appear with a positive coefficient for in periods of agricultural expansion the monetary policy stance is expected to slacken, with the monetary authority tending to allow a higher rate of expansion of money because of a reduced threat of inflation. In the Indian economy, agricultural supply shocks are perhaps the single-most important determinant of the inflation rate.

General-to-specific modelling resulted in the following (best) estimate of the money-supply process in the Indian economy over the period 1952-80:

$$\Delta m_t = \underset{(6.31)}{.03}(Xa/Xa^*)_{t-1} + \underset{(2.18)}{.76}\Delta m_{t-1} \qquad (2)$$

(t-values in parentheses, lower case denotes logarithms)
$R^2 = .91$, s.e.e. = .032,
auto-correlation (1 M): $\chi^2(1) = .09$,
Chow. F(10, 16) = .84.

Note that the auto-correlation statistic is not significant, and that the result of the 'Chow-test', implemented for the last ten years of the sample period, signals structural stability. It needs also to be noted that this model has an explanatory power (measured by the R^2) of over a third higher than that of Ghani [Ghani, p 301]. This is apart from the fact that the present model is more credible as a model of expectations formation actually used by agents. It is indeed perplexing to be told (Ghani, p 301) that agents in the Indian economy consider the growth of money in the OECD economies a determinant of money growth in India.

III
Money, Anticipations, and Output

The combined hypothesis of rational expectations and money neutrality implies the following specification [Barro 1977, 1978 and Pesaran 1982]:

$$Y_t = Y_n + \sum_{i=0}^{\infty} \alpha_{1i} DMR_{t-i} + v_t \qquad (3)$$

where 'DMR' is the unanticipated growth in money and $\alpha_{1i} > 0$. The natural level of output 'Y_n' has mostly been proxied by the time trend [see Barro 1978]. I stick to this procedure. The best estimate of (3) using the residuals from (2) as the unanticipated growth in money (DMR) is:

$$\log Y_t = \underset{(0.02)}{3.87} + \underset{(.001)}{.03}t + \underset{(0.37)}{.18}DMR_t + \underset{(0.30)}{.39}DMR_{t-1} + \underset{(0.25)}{.02}DMR_{t-2} \qquad (4)$$

heteroskedastic-consistent estimates of the standard errors in parentheses
T = 1954-80, $R^2 = .99$, DW = 1.77,
s.e.e. = .031.

Notice that the standard errors that have been reported are heteroskedastic-consistent estimates. Here I replicate Ghani's procedure. A brief statement is perhaps in order though. It has been suggested that when regressions (such as 4) use the output (predictors or residuals) of supplementary regressions (such as 2), OLS estimates may be inconsistent, and hence any inference invalid, requiring a correction of the standard errors. Pagan considers this issue and concludes that when only the residuals appear in the final regression "...the estimated variance ...from an OLS regression programme would be correct" [Pagan 1984, p 233]. On the other hand, when predictors are used, the OLS estimates can no longer be correct, but, interestingly, these "...are no greater than the true standard errors" [Pagan, p 234]. Despite this very clear verdict, and even though the regressions here use only residuals and not predictors from a supplementary regression, I shall only report 'corrected' (i e, heteroskedastic-consistent) standard errors so that my procedure is, throughout, comparable to Ghani's, even though at one stage (as I shall indicate) this causes my argument to appear as less forceful than it actually is.

The lag length on the DMR terms was chosen with an eye to the available degrees-of-freedom and by the criterion of whether the fit improved sufficiently with additional lags in the equation (this principle will be adopted throughout in this paper). In the present case, the unanticipated money growth terms as a whole do not add to the overall explanation. The F-statistic for their joint significance is F(3, 21) 1.083, which is less than the critical value of 3.07.

Given that unanticipated money-growth cannot explain fluctuations in output, I do not consider it necessary to proceed with further tests of the natural-rate hypothesis as suggested by Pesaran (1982). However, I wish to record the result of estimating a version of the above in which the definition of output was altered. Now industrial production rather than aggregate output was chosen on grounds that the latter includes agricultural production. It is not unreasonable to view agricultural production as supply-constrained in the short run. That misperceptions about the current inflation rate cause adjustment to capacity utilisation during the cropping year is not credible. Agricultural supply based on prices expected in the future is obviously an awkward category for the 'natural-rate' theory. Thus some category of non-agricultural output may be more appropriate as the dependent variable in a test of the proposition in the Indian case, where the economy is dominated by the agricultural sector. Quite simply, if money is to 'excite' output it can do so in the short run only in the non-agricultural sector of the developing economy. And models such as (3) above are essentially short-run models. Even though Ghani has used aggregate output as the dependent variable in his test of the natural-rate hypothesis in the Indian context, it was felt that the hypothesis ought to be given a greater chance of validation. However, re-estimation of the model (3) using the logarithm of the index of industrial production (the segment of aggregate output in a developing economy least likely to be supply-constrained) as the dependent variable did not alter the nature of the result. The test for the joint significance of the money-surprise terms now yields the statistic F(3, 21) = .520.

The substantially greater explanatory power of the model of money supply (in turn an input into the test for neutrality) in this study must be borne in mind when comparing the results reported here with that of Ghani (1991). Reference must also be made to Ghani's representation of the economy's terms-of-trade as the determinant of the natural level of output in the Indian economy. Despite the statistical significance of the relevant terms in his estimates [Ghani, p 307] it is absurd to suggest that in an economy in which the external sector constitutes about 10 per cent of GNP, output is entirely driven by the economy's external terms-of-trade. From such a point of view, sticking to Barro's method of proxying the 'natural' level of output by the time trend is more appropriate.

IV

Money, Anticipations, and the Price Level

Precisely because unanticipated money growth is said to cause an increase in output it is believed to bring about a reduction in the price level. For, when prices are market clearing, increased output must imply a lower price. An econometric representation of this idea would be:

$$\log (P)_t = \beta_0 + \beta_1 \log (M)_t + \sum_{i=0}^{\infty} \beta_{2i} DMR_{t-i} + \mu_t$$

$$\beta_1 = 1 \text{ and } \beta_{2i} < 0 \qquad (5)$$

with M = money stock, P = price level, and, as before, DMR = unanticipated money-growth. The expression is arrived at by solving a standard demand for money function and substituting out Y in terms of (3) above. I have ignored the rate of interest which must appear in the demand for money function and the time trend which appears in the expression for the natural level of output, because the tests I propose to rely on do not depend upon their inclusion in any way. I first present the best estimate of (5).

$$\log(P)_t = \underset{(0.22)}{-1.83} + \underset{(0.03)}{.73}\log M - \underset{(0.90)}{1.62}DMR_t - \underset{(0.57)}{.43}DMR_{t-1} - \underset{(0.50)}{1.16}DMR_{t-2} \qquad (6)$$

heteroskedastic-consistent estimates of the standard errors in parentheses

T=1954-80, R^2=.99, DW=.71, s.e.e.=.054.

It is striking that all of the coefficients of the unanticipated money growth terms are indeed negative, as predicted by the new classical theory. However, before taking this to be a confirmation of the natural rate-rational expectations bypothesis I present the estimate of a regression that includes actual money-growth in (6).

$$\log P_t = \underset{(0.44)}{-1.16} + \underset{(0.06)}{.74}\log M + \underset{(8.99)}{14.8}DMR_t + \underset{(8.36)}{10.3}DMR_{t-1} - \underset{(1.19)}{.52}DMR_{t-2} - \underset{(9.18)}{16.2}\Delta\log M_t + \underset{(12.08)}{1.6}\Delta\log M_{t-1} + \underset{(6.46)}{7.6}\Delta\log M_{t-2} \qquad (7)$$

heteroskedastic-consistent estimates of the standard errors in parentheses

T = 1954-80, R^2=.99, DW=.93, s.e.e=.046.

Now note that the only variable with an estimated coefficient that comes close to being statistically significant and negative is current actual money-growth. It must be stated here that when 'uncorrected' standard errors are used, the coefficient on ΔM_t is statistically significant (with a 't-value' of 2.49). As I had argued at an earlier stage, correction is not necessary here, but I persist with it to maintain comparability with Ghani's procedure. On the negative coefficient associated with actual money growth *per se*, I shall have more to say subsequently.

Ghani's test of the proposition that only unanticipated money-growth affects the price level is inadequate. His procedure is to compare the standard-error of estimate of equations such as (6) estimated with unanticipated and actual money growth in separate runs. Strangely, when the equation is run with actual money-growth the level of the contemporaneous money stock is left out [Ghani, 305 and 308]. This must load the procedure in favour of the Barro hypothesis. Moreover it is shoddy, for no old-fashioned (Friedman-like) monetarist would accept as his or her

position the view that the price level is determined by the rate of monetary growth as opposed to the level of the money stock. But the essential criticism of Ghani's method is that the true test of the Barro hypothesis is not achieved via a comparison of the standard errors of regressions involving actual and unanticipated money growth, respectively. Rather, it entails the test of whether addition of actual money growth to a regression with unanticipated money growth alone in it (such as (6) above) significantly enhances its explanatory power. For, it is quite conceivable that the specification with actual money growth alone has higher standard error than the one with unanticipated money growth alone in it, while actual money growth still retains some power to explain movements in the price level. The natural rate-rational expectations hypothesis postulates the irrelevance of actual money growth in explaining the price level once the effect of money-surprise is allowed for. The pivot of it all is the Lucas supply-function discussed earlier; accordingly only unanticipated money can affect output, hence only unanticipated money growth can affect the price level (negatively, because it increases output). Thus the appropriate test is the classical F-test applied to the addition of actual money growth to the specification in (6). This is Barro's procedure [Barro 1978]. A replication of it in the present context yielded $F(3, 18) = 3.57$ when as many lags (two) of Δm as 'DMR' were added. The critical value for $F(3, 18)$ is 3.16. Thus the data reject the idea that a distinction between anticipated and unanticipated money growth is helpful to understanding movements in the price level in the Indian economy. Now only curiosity value remains in recording that the classical proposition that the stock of money enters the price level equation (6) with a coefficient of one was also rejected ($F(1, 21) = 256.9$). Clearly, there is no one-to-one correspondence between the money stock and the price level.

It may be added that the negative coefficient on actual (current) money growth in (7) need not come entirely as a surprise in the light of existing econometric evidence pertaining to the Indian economy. We already know that the aggregate industry mark-up is counter-cyclical [Balakrishnan 1991a]. The negative coefficient associated with money growth, then, could well be capturing the direct effect of money on output in the industrial sector, and the slower rate of inflation this entails. There is perhaps a more important explanation of this phenomenon though. This is that in an economy yet dominated by the performance of the agricultural sector, expansion in agricultural production leads to expansion in the economy as a whole [Balakrishnan 1991b]. If the growth of the money stock is endogenously determined, in response to economic activity, we would now have a higher rate of money growth. With the price of agricultural goods, unlike industrial ones, responsive to excess demand, expansion of agriculture implies a slower rate of growth of agricultural prices, thus inflation. With a positive supply-shock to agriculture leading, as it may be expected, to an expansion of non-agricultural activity in the economy, a slowing of inflation and a faster growth of money go together. That this is not an unlikely story is suggested by Ghani's own estimate of an allegedly "Keynesian" price equation which reveals economy-wide 'excess demand', measured as the deviation of output from trend, as affecting price negatively [Ghani, p 308].

V

Conclusion

Ghani has claimed that evidence provided by him "suggests that anticipated reductions in money growth in India result in contemporaneous reductions in the price level, while the unanticipated changes affect output" [Ghani, 296]. I have here provided evidence resulting from tests in the spirit of Barro that is contrary to this claim. The sample period of this study straddles almost fully that of Ghani, while being substantially longer. Moreover, its results bear a higher claim in that they are based on a more successful attempt to model the money supply process, and above all, that they are the outcome of a methodologically more correct procedure.

To recapitulate, the proposition that fluctuations about the natural level of output are driven by money-surprises is rejected for two categories of output in the Indian economy, namely, aggregate output and industrial production. In the case of prices, the Barrovian proposition that actual money growth is irrelevant once money growth surprises are allowed for, is rejected too. Ghani has stated that "The empirical findings on the responsiveness of prices to anticipated changes in demand are important for the resolution of a wide variety of policy issues, e g, the costs of anti-inflation demand strategies associated with stabilisation programmes" (1991, p 309). Precisely. The results presented here suggest, among other things, that the monetary authority in India would be wrongly advised that it can be certain of containing inflation solely by implementing a pre-announced reduction in the money growth rate, leave alone doing so costlessly.

Appendix

Data Definition and Source

M = money stock (M_1). The only available continuous series of this measure of money has been used. A Vasudevan (1980), "Money stock and its components in India, 1950-51 to 1979-80. A statistical account", *Indian Economic Journal*, 28, 1.30.

X_a = agricultural output, *Agricultural Situation in India*, February 1981.

Y = National Income at 70-71 prices, *National Accounts Statistics*, February 1983. (Results of having re-estimated (3) using the index of industrial production were also reported. Here, since no continuous series exists for the period considered as a whole, several series were spliced. *Economic Survey*, Government of India, New Delhi.)

P = price level (index number of wholesale prices' base 1970-71 = 100). *Wholesale Price Statistics*, Economic and Scientific Research Foundation, New Delhi and *Report on Currency and Finance*, Reserve Bank of India, Bombay.

[An early version of this paper was presented at the Indian Statistical Institute at New Delhi in January 1991. I thank Dilip Mookherjee and Partha Ray for comments. I am grateful to Kunal Sen for alerting me to the issue of inference in the presence of generated regressors. Errors that might yet remain would be mine.]

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The Aged, Their Problems and Social Intervention in Maharashtra

Kumudini Dandekar

In India the problem of the aged had not until recently attracted much attention. With the changing demographic profile of the population some attempts are being made to document the living conditions of the old, their economic, social and psychological status, their problems, society's response to them and the attempts of the state to resolve these problems. This article is based on a survey of the aged undertaken in Maharashtra.

FOR thousands of years people probably have strived to live longer. In the latter half of the 20th century they seemed to have approached their goal. But when it comes to it they do not know what to do with added years of life. Nor is the success in attaining longevity trouble-free since often the survival is of the unfit. The result was that the whole advanced world which achieved the best success in increasing longevity had to face problems of old age. These problems deserved a very high priority there since many of the economic problems were more or less solved. But the conditions in India or Maharashtra were different.

In a country like India which has to face such an enormity of problems, the question of the old did not seem significant until recent times. India had not attained a longevity of 60 years even till 1981. The population of the old was, however, increasing fast in developing countries like India. Hence the problems of the old had to be faced earlier in such countries. Moreover its links with other phenomena such as declining mortality, increasing population and harrowing poverty enhance the urgency of the problems of the old.

Theories and Hypotheses Regarding the Old

Various theories prevail on the interrelations between old age and economic development are reviewed. There are theories and hypotheses such as: 'Modernisation reduces the respect for the old' or 'the olden days were golden for the old'. These may be partly true but partly they may be based on misconceptions. At times looking at the conditions of the old in 'nursing homes' in a country like the United States, one may form an impression that people make enormous profits by trapping the disabled in these nursing homes and be cruel to the old. But one has to remember that these homes included only 5 per cent of the old in the United States. They were mostly terminally ill people 80+ or 85+ years of age. Moreover the old in these institutions would be a problem wherever they were. One has to leave these disabled old out because the terminally disabled ones cannot be integrated with the others. As for the other old, modern times provide such a range of tools that taking care of the old seems easier now than was the case in olden times. The growth of individualism accompanied by better economic circumstances probably came in the way of emotional attachment between the old and the rest.

For instance the need of proximity of children is common to both the kinds of populations as shown in the report with data for Britain, Denmark and United States and India. Love of living in the family rather than among the peers in an old age home is also common to both. The give and take of finance, child care or care of the sick between generations also seems similar in the two types of countries. It is the difference in the economic circumstances with the capacity to have separate housing units, the level of education, the increasing out-of-home employment of women in developed countries which come in the way of showing love and respect to the old. It seems that innermost instincts of love and need of closeness to family could not be suppressed easily with modernisation. Moreover in a country like India there was no medicated survival to worsen the problems of the old. There was more tolerance among the poor as poverty had made their reactions blunt. Expectations of the Indians were not many and philosophy to face death gave them relatively better strength as discussed in the report.

Not much literature is available on the conditions of the old in India. There are some stray surveys based on small samples and these too did not necessarily stand the tests of scientific methodology. In many of them old age was defined as more than 60 years. About 6.5 per cent of the population was found to be old in India (Maharashtra). One may note that in highly developed countries more than 15 per cent population belonged to this category. However, the rate of increase of old population was much higher (29 per cent) than that of the total population (23.5 per cent) for 1981-91 India. And this rate of increase was faster in many more recently developing countries than the developed ones. It meant that the problem of the old would have to be faced in these countries much earlier than in the other developed countries.

There are very few publications on the subject of the old. A few hotchpotch subjects are discussed below for illustration. For instance, a published paper compared living arrangements of the old in Madras city with those in an Italian city of Milan. In Madras the old were found to live with their married sons much more than they did in Milan. The reason was obviously economic since the old in Madras could not afford separate housing units away from their married sons.

Another subject discussed in this stray literature was the life cycles in various countries. While discussing the conditions of the old it is worthwhile looking at them from the point of view of their completing responsibilities with regard to their children. For instance one could consider the life cycles of women in the various countries and answer questions such as: Do the women live long enough to see their youngest child attain adulthood? Is the education of the last child complete before the women die? Are the women free of their children's responsibility before death? How long in years do women live responsibility-free? Do they have time enough to look after their own interests?

Such comparison of north Indian women in 1956 with those in the US, 1950 showed that north Indian women died before seeing their last child attain adulthood. Women from the US lived 34 years after the last child attained adulthood. This was mostly due to two reasons. One was that Indian women had shorter life spans and they also produced children till a late age. Even the cohort of women in the US of 1880 lived 21 years after the attainment of adulthood by the

last child. Similar comparison of the life cycle of women in rural India of 1990 showed that women lived only 10 years after their last child attained adulthood. Those women could not complete their responsibility, since they could not educate their children. The life cycles of Japan in 1940 and in 1972 and India of 1990 were compared more elaborately. Besides the death of the mother, attainments of education to stand on one's own feet by the children, children's marriages and death of the father were also considered to see how far the mother and father completed their responsibilities of giving children an education and making them self-supporting. In Japan in 1940 both the parents died before completing their responsibilities with regard to children. But in 1972 the conditions were dramatically changed so that both husband and wife carried out their responsibilities and lived long after attaining a responsibility-free state. Under certain assumptions a picture of 1990 India may be drawn. As far as longevity was concerned, the mothers or parents were doing just right in the sense that both the parents 'saw their children through'. But the main problem was how did they see 'their children through'? The average child if female was still illiterate and so also the male child who was just above literacy level. This did not equip the children to be self-reliant. What they achieved was 'somehow eking out a living' which they did almost till the end of their life. They hardly saved anything for their old age and they could not be capable of taking care of their old parents or their own children's education, or attending their marriages, etc.

One has to remember that the present picture of 1990 India does not look so bleak, because of relatively shorter longevity of 60 years or less. But in future the longevity is bound to increase and if by that time people had not learnt to save for old age, they would be doomed since there would be neither any old age security nor any help from one's own savings. Therefore what was needed badly was to save for old age before one started having greater longevity beyond 60 years of age. The capacity to save could come from two sources. One by reducing the load of child-dependency and secondly by equipping every child with education and employment skills. With the prevailing poverty conditions these two alternatives were not available because if one did not economise on the number of children, educating the children became impossible. Hence limiting the number of children was a must if in future, longevity was going to increase. Otherwise with increasing longevity, suffering was going to get compounded. Ideally two children before 28 years would enable the Indian women to live and equip their children with education and save for old age. In the present circumstances interdependence of the old and the young continues till death and so also continues the living in squalor.

Work participation of the old was another subject which has been discussed in this literature. With economic development men worked more in the organised sector and they retired after the age 65; but not so the men in the developing countries. They had to work till the end for lack of savings for old age and they stopped working only when health did not permit. Work participation for women in the developed countries changed in the opposite direction with time. Work participation of women increased in the developed countries so that they could not look after their old. This aggravated the problem of the old in developed countries.

Poverty among the old seemed a subject common to many countries. Firstly, the aged were not earning. Secondly, their savings fell in value because of inflation. Thirdly, they had to spend disproportionately more on medication. In countries like India because of the deterioration of health in old age, people had to stop working though they needed the income.

Employment in the organised sector always offers old age security in developed countries or even in developing countries like India. But such employment being available only for a handful in India most old people had no old age security. However, there are attempts at present to give such security with old age pensions in many states of India. They however cover only an infinitesimal proportion of the needy population.

A very rich source of data on the subject is the 42nd round of the National Sample Survey (NSS) in India conducted for the year July 1986 to June 1987. Here was a rich fund of data on 20 items regarding the old based on 50,000 households. For Maharashtra too there were 4,366 households surveyed, 2,248 in rural and 2,118 in urban Maharashtra. The range of subjects covered by the survey included demographic profiles such as age, sex-ratio, marital status, number of sons or children, economic dependence partial or total, living arrangements with members of the family including living alone, help in illness, mobility level, illness or chronic diseases, hospitalisation, gainful and other activity status; for those who did not work the reasons for it, the age at retirement, financial assets and property; the willingness of the old in going to an old age home (OAH); the participation of the old in the social and religious life of their home village or town; and so on.

The idea of looking at Maharashtra in the setting of all the states in the country is to scrutinise the differences in the old in various regions and analyse the causes behind the variations. However data from most of the major states did not differ significantly and one could conclude that the reasons behind such a state of affairs was that the conditions of the old were interlinked with poverty, illiteracy and dependence on agriculture which were so rampant all over the country. One should bear in mind that Maharashtra was similar to average India in almost all the matters unless stated otherwise.

Surprisingly the sex ratio, i e, the number of old females compared to old males in India is smaller. This kind of phenomenon is rarely seen and specially in the developed countries. Perhaps the old women outnumber men almost everywhere except in India. Biologically the number of women should predominate that of men in old age. The reverse case in India speaks for their higher mortality due to social encumbrances. This no doubt is a grave matter and should attract attention in handling of Indian social problems. One may however note that the proportion of women among population in old age is more than found in the earlier ages. Among the various states of the country the number of old females *vis-a-vis* the males was found to be particularly low (646 females/1,000 males) in rural Jammu and Kashmir, 721 to 1,000 in rural Assam and 727 to 1,000 in rural Haryana and nowhere was it made up by a large number of females in the respective urban areas

Loneliness is one of the major problems of old age which makes people feel helpless. In the advanced world and particularly the US the old women are more alone than men. But in India it is the men who are alone both in rural (12.4 per cent) and urban areas (9.5 per cent). The percentage of such women is very low (nearabout 1 per cent) both in rural and urban areas. There are two reasons for this low number of lonely women. One is that the number of old females itself is not what is expected elsewhere. Secondly, the peculiar social conditions in India leave the old women to hang on to some family such as the son's, daughter's or other relative's often in a difficult position. In the US the number of women living alone far exceeds that of men because women live much longer than men and they can

afford to live alone financially as well as socially.

The number of old persons (men and women together) having no son to depend on in old age was about 14 per cent in rural India. Among these were included 4 per cent who had no children born, 2.4 per cent who had no surviving child and 8 per cent having no son but only daughters. In urban areas 5 per cent had no child born, 3 per cent had no living child and 7 per cent had no son but only daughters resulting in 15 per cent old persons having no son. In Maharashtra 16 per cent in rural and urban areas had no son to depend on.

The old were asked whether they were economically independent. Fifty-one per cent men in rural and 46 per cent in urban India were economically independent. On the other hand 33 per cent in rural and 37 per cent in urban India were totally dependent on others. The rest were partially dependent. The Maharashtra percentages of the dependent were lower but the difference was not large. One has to remember that one-third that were totally dependent in India had probably bad health and could not work in old age. The dependence was accompanied by no financial assets or property with the old as seen in the report. This resulted because with no education and little land, even in peak years of energy and youth most people only eked out a minimum living for the current times. Females were mostly dependent on others often doing domestic chores. But there may have been a tendency among women to report that they were dependent on others even when they worked equally with men.

As seen above most women and more than one-third of the men were dependent on others totally. About 15/16 per cent men were partially dependent. Since old people had no savings for old age three-fourth of the dependent had to depend on their own children. About 9 per cent depended on their spouses because 7 per cent males and 11 per cent females depended on their spouses. About 6 per cent men as well as women depended on their grandchildren. About 10/11 per cent had to depend on others. This was a category probably without children and they had to hang on to any help that came by from distant relatives or unrelated persons. Conditions in Maharashtra were not widely different.

If spouses were alive old people were supposed to stay with them. Otherwise they were classified as living with children if they did so. Thus 37 per cent old lived with their spouses in rural areas and 35 per cent in urban areas. About half of the old lived with their children both in rural and urban areas. Four/five per cent lived with grandchildren and similar percentage lived with other relations. Only a small percentage, 68 and 40 old people in 10,000 lived in OAHs in rural and urban areas respectively. This was certainly a small percentage because OAHs in their present form are a new concept not known in India. Moreover, even in the US where the institutions for the old seemed common only 5 per cent old lived in them. These institutions were not popular and mostly old women of 80 years of age and above who had no relative to look after them lived in them. They were called nursing homes. As noted earlier this living with children or felt need of proximity of children in old age was common not only in India but also in the advanced world illustrated by the data for Britain, Denmark and the US. The difference was in the pattern of housing, since rich countries afforded separate housing units for married children and parents.

Physical immobility among the old due to chronic illness was noted in all the states of India, with 4/5 per cent old males and 7 per cent old females being immobile in India or Maharashtra. The percentage of immobile women was always larger than men in all the states. There being no medicated survival, the percentage of immobile, however, did not seem large in spite of low level of health of women or men. They had chronic health trouble in 45 per cent cases both in rural and urban areas. But these were not disabling diseases which could make people immobile. Problems of joint-aches and cough seemed most common. Only 6 per cent reported blood pressure, about 4 per cent heart diseases, 3.5 per cent urinary problems and less than 2 per cent diabetes. Kerala, West Bengal and Assam reported more chronically ill cases in both rural or urban areas. In no state were the ill hospitalised to the extent of more than 10 per cent.

The usual activities of the rural old men included 53 per cent doing either own agriculture or labour outside, only 2.5 per cent were rentiers or pensioners and 31 per cent inactive including the ill, etc. Eleven per cent of the rural females were involved in own farming or engaged in labour outside, 42 per cent doing domestic work and 45 per cent inactive, being ill, etc. Of the urban males 17 per cent were pensioners or rentiers, 20 per cent doing non-agriculture, and 33 per cent inactive or ill, etc. Urban men doing agriculture were 8 per cent and 6/7 per cent were in casual or salaried labour. Urban women did domestic duties (47 per cent) and were inactive to the extent of 45 per cent including ill, etc. With increasing age the activity of the old declined fast which showed that majority did not work after age 65.

Financial assets were almost nil in old age. Thus in India as a whole, for 1,00,000 old men and women 581 and 482 respectively had some financial assets if at all. The richest state was Himachal Pradesh (the garden state of India) having 8.5 men and 8.1 women per 1,000 having financial assets. It is atrocious to compare these with 150 persons having financial assets beside 290 per 1,000 having earnings in the US.

The need for old age security such as old age pension, etc, seemed imminent and unless that was taken care of, one could not impress upon average Indians the need for a small number of children. It almost seemed that it was this link between old age security and number of children that pressurised the welfare department to examine the problems of old in India through the 42nd round of the National Sample Survey in 1986-87. In spite of such miserable conditions the old in India did not like the idea of going to old age homes. This was because they were fully integrated with the social and religious life of their locale. Among those living alone 20 per cent were prepared to go to an old age home and 80 per cent of these wanted that the OAH be located in their own village. They did not dream of approaching the government for help. They were prepared to approach the villagers for help. They had no idea of old age pension, etc, as was seen in the villages of Maharashtra. Old age homes seemed an institution unknown in India at least in the present culture. That is why only a small percentage of the old (0.68 in rural and 0.40 in urban area) were found in the OAHs. The highest percentage was in Assam where 181 and 409 per 10,000 lived in OAHs. Corresponding figures for Maharashtra were 29 and 12 which were one of the lowest in the country. In the US, 500 old per 10,000 lived in the nursing homes or such institutions.

There has been a controversy as to whether the old should be integrated with the rest of the population or they should be with their peers in an institution. It is very difficult to answer this question without more data on the condition of the old. If the old are healthy they are no problem. If they are sick or bed-ridden they cannot live comfortably with the non-sick unless well looked after. In the US, the old are isolated in institutions called nursing homes. These are mostly for nursing the

sick and they are quite different from the OAHs we talk about in India which are not necessarily for the sick though they are certainly for the helpless. The age group living in OAHs in India is likely to be relatively younger because of two reasons. One is that their shorter life-spans and secondly, there is no medicated survival. That is why the OAHs in India hold the unemployable who need food and shelter, but not necessarily medicines and nursing. Or perhaps the old who need serious medical attention and nursing do not enter OAH because these would not be easily available in many of the OAHs. In other words the standard of available medication and nursing is almost equivalent to neglect which is attainable even outside and hence such old may be weeded out. The old in Indian OAHs therefore seem most needy of food when they cannot earn it. In England there are what they call hospices which are a half way house between nursing homes and the helpless living in their own homes. The needed nursing help is provided in the homes of the old by government or other agencies. It is found that this kind of arrangement is more popular than that of nursing homes.

Old Age Homes in Maharashtra

In understanding the problems of the old one had to observe the old living in a variety of conditions. Thus the objective was to interview the old (i) in the OAHs, (ii) in villages and (iii) in cities. To conduct the survey for all the three categories was very expensive. Especially to carry out the survey in big cities for a random or systematic random sample was a costly affair especially with the present transport charges in big cities. With the limited funds that were at our disposal 19 OAHs in Maharashtra state and their 541 inmates were interviewed, beside the 601 old villagers in eight small villages. This obviously meant a great loss to the subject of the old since the old in big cities of Maharashtra were bound to be different. Modernisation if any in India was bound to be in big cities with a wider generation gap, larger employment of women outside home, and more acute shortage of housing. Unfortunately the present survey failed to catch this opportunity of observing this modernisation in such conditions accompanied by poverty and great inflation.

The OAHs in Maharashtra followed the general rules laid down describing the eligibility of the inmates permitted in OAHs, the buildings, the premises with some minimum garden, the location of the buildings away from the city crowds on easily accessible and well-constructed roads which were necessary so that the old could travel to the OAHs without getting hurt. Recreational facilities, minimum medical help, the right kind of sympathetic staff to deal with the old were all specified in the general rules for setting up an OAH. The report on the OAHs in Maharashtra is divided into two parts. The first part portrays the 19 OAHs and the second describes the interviews of 541 inmates of the OAHs.

There is a detailed account in the Report of each of the 19 OAHs regarding the availability of open ground, housing arrangements, library facilities, level of medical help and supplementary institutions attached to the OAH, payment made by the inmates and method of funding utilised by the OAHs. The OAHs were of three kinds. One kind was free. The other was flexible including those who could not pay to those who could pay a part of their marginal pension. The third kind charged a range of payments and those who could not pay could not find accommodation there. On the whole however monthly payments made ranged from Rs 250 to 700 a month in 1991 besides some deposits and donations. Generally the charges were not heavy. More recently the OAHs accepting payments had commenced taking deposits for the disposal of the dead inmates. Those OAHs that did not charge for the inmates received a grant of Rs 125 per month per inmate from the government. In addition, the government allotted funds for furnishings per inmate such as a bed, a chest, plates and utensils, clothes and the kind. Those OAHs taking grants from the government were allowed to collect funds from the public since the government grant was insufficient.

On the whole the OAHs were well-equipped compared to the living standards of the inmates at home. That is why most of the inmates were satisfied with the living conditions in the OAH. The shortage often felt in the OAHs receiving government grants was in the matter of housing. Those living totally free and they formed a majority (51 per cent) sometimes, were housed more than 15/20 per hall so that they were living in a dormitory. The inmates always had beds and they kept their chests below their beds. Keeping the rooms clean was their collective responsibility. In such an arrangement even the sick lived among them. The idea here was to get the help from other healthy inmates in taking care of the sick. Many of the OAHs had their links with some general hospitals so that more serious medical help could be roped in. Of course occasionally this help was only better to the no-help available to many inmates with their low level of living. Some OAHs had regular visits of the doctor to relieve them of their small health worries.

As far as the working of the OAHs was concerned, in those OAHs that did not charge the inmates much, the inmates themselves helped the running of the homes partly. It was only the disabled who did not work. But most of the others helped in cooking, serving, cleaning, gardening, attending to the ill and their work was regulated or co-ordinated by the minimum staff that was provided. The OAHs had some regular recreation such as 'bhajans' or prayers and a routine which was of course flexible for the needs of the old. People generally did not leave the OAH to go out except in rare cases after informing the institution and a few were entrusted with minor marketing, etc. In some cases the OAHs were located with other institutions. Some were near a temple, or a printing press or orphanage run by the same charitable institution as that running the OAH.

On the whole the inmates were happily placed in the OAHs. They worked only as much as they could. They took exercise or a stroll as long as they could. If they felt the need they talked to their peers. Whenever they needed rest they lay on their beds. Otherwise they watched the television. There was no need of feeling awkward because they did not work for their bread or could not go with the same speed as the other non-old, which they did in their own households back home. They could eat with a peaceful mind without having all these pressures. Nobody taunted them for resting. They had no worries of getting food. They got it at stipulated times. Before coming to the OAH some were feeling lonely and unsafe. Those in families perhaps bore harsh words but now in OAH, nothing more of that. They were accepted with whatever their handicaps and hence they could pull on peacefully in the OAHs in spite of some inconveniences.

Generally there was a feeling and rightly so that nobody went to an OAH happily. Outsiders thought that the inmates of OAHs were deserted in the OAHs and the old were dragging on there. But often this was not true. It was only the lonely and helpless needy that were living in OAHs. When they were not lonely they were not wanted in their families due to others being either too busy or due to shortage of housing. Or some old did not want to depend on others and hence they kept a safe distance from others. They were

economically better off relatively but they did not have the courage to stay away from the family alone. Hence they lived in OAHs and kept good relations with their relatives by visiting them or receiving them in the OAH. They enjoyed the company of their relatives for a while and came back to their fold to live among their peers.

Obviously in future the longevity of Indians is going to increase. Perhaps poverty may not be reduced that fast. Thus the need for OAH especially for the poor is bound to rise. There is also a likelihood that larger numbers will be bedridden. Thus institutions accepting grants from the government will have to grow in number to cater to the customers. The government grants falling short of the need, donations from the public will have to soar but if they do not, it will be difficult to run the OAHs. As of today donations are available adequately. One may however examine the OAHs like Niwara that have dynamism and that tend to develop on wider lines. They do not just feed the old destitute and keep them alive but also try to employ them on light jobs.

Women constituted 65 per cent of the total inmates and only 16 per cent were aged 60-64. Thirty-nine per cent were above 74 years of age. Occasionally, i e, in four or five cases the OAHs included one or two mentally handicapped women who needed a safe shelter. They were interviewed only if they were above 60 years of age They were accepted even when they were not destitute because they were healthy and could be used for assistance in running the homes.

The 541 inmates of the OAHs were interviewed getting their demographic profiles and earlier conditions of living. Thirty-six per cent were living alone and 4 per cent in unrelated families. Additional 6 per cent were with remote relations making such helpless, 46 per cent. Their retirement age was set out in Table 1.

Two-thirds of the inmates had no savings at all. Another 8 per cent had saved less than Rs 10,000. These were very limited savings. The data show that 76.4 per cent did not have enough to eat, had they not come to OAH. Besides having no savings, they often had nobody to help them in their old age.

Among the reasons for coming to OAH 54 per cent had nobody to take care of them. They included 45 per cent having no money either. Nineteen per cent were alone but money was not a stated serious problem. Among those not having anybody to look after them 28 per cent had crossed 80 years of age or 45 per cent crossed 75 years of age. The percentage coming to OAH because of differences with the son was also sizeable, namely, 17.9. Another goodly number, namely, 9.8 per cent did not want to depend on anybody. This category was probably from cities and the well-to-do class. Three per cent reported shortage of housing as the reason for coming to OAH. This was probably from cities. The payment by inmates per month was given in Table 2.

The question was who was paying for the inmates. More than half did not pay for their upkeep. Twenty per cent paid for themselves, 10 per cent paid from their meagre pensions. As for the rest relatives or others paid for the inmates.

As for visiting outside the OAH, 76 per cent never went out or rarely did so. One-fifth went out frequently to visit their relatives. On the other hand outsiders visited the OAH relatively more. However 41 per cent never had visitors or rarely did. About 11 per cent had weekly or monthly visitors.

The inmates were unwilling to leave the OAH to the extent of 80 per cent. Some had nowhere to go. Some wanted to go but they could not

The inmates were asked about the medical help they had or they needed before coming to the OAH. They rarely needed it but they got it. In the OAH 35 per cent needed constant help. Still only 5 per cent were bed-ridden or immobile. Thirty five per cent were slightly mobile. The rest were more or less normal. The 5.5 per cent blind had obviously limited mobility. Mobility clearly decreased with advancing age. The health of about 12 per cent was normal with no complaints. One-third had only one complaint. The rest had more than one complaint. Blood pressure, eye defects and anaemia were each reported by 16 per cent. An additional 5.5 per cent were blind. The death rate for the general populace after age 60 was about 52.6, deaths per 1,000 while the death rate among the inmates was 125 per 1,000. It is difficult to trust this figure with confidence due to the smallness of the sample. But it is believed that the death rate among the inmates was bound to be higher since they belonged to the poor class living under strain. As for help in the daily routine 90 per cent did not need any help. The remaining 10 per cent needed some kind of help and these included 3.7 per cent that needed assistance in performing routine chores.

The majority of the old were living in a friendly atmosphere except for one-fourth who did not have any friends or who did not need any or who quarelled with everybody.

The inmates were fully satisfied with life in OAH in 81 per cent cases. About 16 per cent were not satisfied but they believed that there was no other go. There was no tendency among the inmates to complain because they felt that they were hardly paying anything and they had no right to complain.

In spite of the above satisfaction when the inmates were asked to compare the earlier life with that in the OAH, only 12.6 per cent found the present life better. The rest liked the earlier life better for various reasons. This of course seemed natural. The inmates when asked about care by their children the inmates did not answer because they had no children. But in 31 per cent cases sons and daughters took care of their parents and there too daughters did more than the sons. This should be borne in mind by parents in India who prefer male children to female.

When the old inmates were asked to note the good things in old age, one-fourth remarked that there was nothing good in old age. Another one-fourth could not express their reactions. Others gave a wide range of answers such as having no responsibility, adequate time for hobby or prayer. or enough time for enjoying grandchildren's company. In reporting negative things about old age, one-fourth again had nothing to report. One-fifth abhorred dependence on others. Another 17 per cent mentioned many other bad things. Twenty per cent thought that old age was a natural event and there was nothing bad about it.

In nursing homes for the old in rich countries the main problem of the old was lack of good health. This could not be had easily after ages of 80 or 85, and there were no substitute. In a country like India the major problem was of getting food when they could not earn. Once that was

TABLE 1: RETIREMENT AGE OF INMATES

Age in Years	Per Cent
Up to 55	4
55 - 59	28
60 - 69	41
70+	20
Never worked	3
Still working	4
	100 – 541

TABLE 2: PAYMENTS BY INMATES

Payment Per Month	Per Cent
Nothing	51.2
1-100	4 6
101 300	13.5
301 500	20.6
501	101 1

solved in the OAH, the old were even prepared to work for the institution. Thus the OAHs in Maharashtra served as very useful institutions needed badly for the homeless, helpless or childless. Nobody likes the life of an institution away from one's own family however if that is not available the OAH could be the next best choice.

The Old in Villages

In the following are analysed the 601 interviews from eight villages of Maharashtra. The villagers were backward, illiterate and out of reach of any modernisation. The old villagers had no idea as to the kind of problems the old were likely to face in the outside world or even in the cities of India. Less did they know about the care that is offered to the old in the modern world or about the expectations of the old in modern India. They had never heard of the old age pension scheme nor of old age homes. Among 601 old, 280 were men and 321 were women. Of the men 22 per cent were aged 60-64, 29 per cent aged 65-69 and the rest were 70 or over. For women, 34 per cent were of age 60-64 and 30 per cent 65-69 years. The remaining 36 per cent were over 70 years old. Of the 280 old men, 41 per cent were still working on their own farms or as casual labour besides 16 per cent in other work such as business, looking after the cattle, and 42 per cent were not working. Among the 321 old women half were not working. Twenty-nine per cent were working on their farms or as casual labour. The proportion of men and women not working increased fast with advancing age especially after the age 70 on. The men and women were asked about their work patterns at about age 50. Eighty per cent were doing work on their own farm or for others as labour, less than one per cent were not working. But now about 70 per cent could not work or had to reduce work because of bad health, though some tried to pull on because of the need to earn. People had no concept of retirement and 81 per cent did not think of any age as retirement age. Being an agricultural community, the notion of retirement age did not exist.

Living arrangements were recorded in the survey. About 10 per cent old were living alone formed of 4 per cent men and 14 per cent women. One is here surprised to find more women alone because in the NSS it was the men who were alone to a larger extent. Thirteen per cent lived with their spouses and 63 per cent with their son's families. An additional 5 per cent lived similarly but they boasted of being the heads of families themselves. Most of them, i e, 81 per cent had no dependents. Eleven per cent had one dependent and eight per cent had two or more. With advancing age dependency declined fast One has to remember that 16.5 per cent had no son at all. Twenty-six per cent had only one son (they had daughters). Eleven per cent had their youngest son below 18 years of age. There was no problem of help in old age for the majority since 69 per cent were living in households that had four or more members.

As mentioned earlier a large majority was illiterate—62 per cent men and 92 per cent women. There were three doctors in eight villages Those having education of 12 or more years did not constitute even 1 per cent. The percentage of illiterate increased with advancing age. This kind of condition led to a low level of living People had very little by way of financial assets or property. Nearabout age 50, 4.5 per cent had no income at all, even 21 per cent more had an income less than Rs 1,000. On the whole 25 per cent could not support themselves even without any dependency load at age 50. Another 25 per cent could support half an adult beside themselves. About 28 per cent could support 2.9 adults nearabout that age. One has to remember that this was the financial capacity of the villagers nearabout the age of 50 which should be the peak of one's life as far as earning was concerned. That is why 96.5 per cent had no savings at all When the old were asked about the savings for old age, the question sounded strange to them. Fifty-nine per cent explained that they had no adequate earning even for the current times and hence they could not save. Some had used their earnings for the education of children or marriages of their sons and daughters. Twenty-six per cent thought that they had land and hence no need of savings. There were of course some cases where there was land but no one to cultivate. There were also some who were robbed of their savings.

Because there were no savings, 46 per cent still worked in old age. Thirty-five per cent retired after age 65 or so. A large majority had to retire because of bad health and found the work heavy. The inadequacy of income was bound to make the old feel want of food or such items as of everyday use. Forty-six per cent, however, did not express any want. The old villagers did not need anybody to look after them in 18 per cent cases. Nineteen per cent were helped by spouses and thirty-nine per cent were helped by sons and their families. But when needed even daughters and their husbands helped the old. Because of such help a large majority, 85 per cent, did not feel any inadequacy even of food. Only 7 per cent felt that they had barely enough and 8.3 per cent felt even a dearth of food. With regard to health complaints, 24 per cent had no specific complaint. Anaemia was reported by 16 per cent. Thirty-one per cent had eye defects or blindness beside 22.3 per cent who reported cataract specifically. Twenty-nine per cent had rheumatism or arthritis. Eleven per cent reported asthma.

These percentages do not add to 100 because some people reported two or more complaints. The immovable or bed-ridden formed 5 per cent. This percentage is the same as found in the NSS report for India About 18.5 per cent had limited mobility About half the old were quite mobile including 28 per cent still working or earning daily wages. By about age 50 almost all had reported fairly good health which included 33 per cent proclaiming 'not bad' health. When ill there was no dearth of help Twenty-four per cent did not need it, 2 per cent helped themselves and only 3 per cent reported that they had none to help. No expenses were incurred by 51 per cent. Thirteen per cent spent less than Rs 100 on medical help during the preceding year, while 7.5 per cent spent more than Rs 1,000, a sum that was needed by an average adult for a year.

The idea that the old were not respected by the present generation was not common among the old villagers. Only 4 per cent reported that nobody respected them. A large majority was respected by all. Similarly only 6 per cent thought that with aging they were being neglected. That is why when asked whether the old feel like leaving the present set-up, only 4 per cent admitted that they would like to go to an OAH. Six per cent said that they did not know where to go. On the other hand 88 per cent were sure that they liked to live with their own families. Very rarely were there any differences in the family and some reported that even if there were conflicts such were bound to be there wherever one lived. With this kind of

Table 3: Attitude to Death

Attitude	Per Cent
Never thought of death	21
Not willing to accept death	2
Bored with life, still not prepared to accept death	2
Do not like death but cannot avoid it	38
Waiting for death	9
Ready to accept death any time	16
Desiring death before getting bed-ridden	12

make-up of the mind the old could not think of going to an OAH. Twenty-nine per cent had never heard of OAH. A few were prepared to go to the OAH if it was free and if it was in their own village. Twenty-four per cent old thought that they were heads of families and how could they think of leaving their own families?

The attitudes of villagers to death were enquired into. It is worthwhile describing the details of this attitude as in Table 3.

It is important to compare these attitudes with those of the old from modernised societies. Similar data are not available with us for such societies. But such a comparison might help us to know whether modernisation has facilitated graceful acceptance of death. There is much talk of euthanasia or mercy killing in the advanced world. Are the modern people better off to-day to face death? One hears stories of the institutions that prepare the terminally ill mentally to face death, in rich countries.

Old villagers were called upon to mention the good things of old age. Nobody was found resigned from life. There were only 2 per cent who could not respond. Forty-two per cent were happy to enjoy proximity of children and grandchildren in old age. One could easily see why people love life in the family more than that in the OAH even with limited satisfaction of one's basic needs there. Another 18 per cent were enjoying the fact that they were absolved of any responsibilities. Another 18 per cent were glad that approaching death will relieve them of burden of life. Did it mean that so much percentage considered life to be a burden? Or does it speak for death being welcome? One and a half per cent recounted many sublime matters of old age. Among bad things of aging 59 per cent reported bad health. Fifteen per cent were bored because of no occupation in old age. Eleven per cent were worried because of inadequate food.

To conclude modernisation or its accompaniment such as growth of individualism, etc, or the conflict between generations should be bad as in advanced countries or perhaps worse in big cities in India but not so in villages. Villagers had little idea that in modern times the old are taken care of in public institutions. Many villagers especially the ones that were alone were prepared to approach the villagers or their neighbours for help in times of need. The 11 per cent lonely old in villages certainly needed help. To leave them to the mercy of the villagers may not be considered a happy situation from the point of view of some. Nor does it seem financially possible to provide OAHs to all these. The only workable solution can be to offer them old age pension even if it is of modest order.

Money is, of course, not all and it will be a part solution. But one has to watch the possible consequences of such an offer of pension on the rest of the society. Will those who are living in large families and still feel neglected prefer this life of loneliness with a pension? Some may, some may not. But one thing is certain. The new rural society will not remain the same when equipped with old age pension as it is now with no alternatives in the minds of oldsters. One cannot venture to call this phenomenon good or bad but whatever the consequences, an offer of old age pensions to the lonely helpless seems justified. It may introduce change in the mental working of all—the old and the young.

The report devotes some space to the old age pension schemes in India and specially in the state of Maharashtra. The Sanjay Niradhar Anudan Yojana (SNAY) was started on October 2, 1980 in Maharashtra whereby a remuneration of Rs 60 a month was offered to the helpless old women of age 60+ and men of age 65+ besides the helpless children of widowed women. The remuneration of Rs 60 was raised to Rs 100 from 1988. Starting with an expenditure of Rs 130.5 million in 1981-82, it increased to Rs 376 million under the scheme in 1989-90. The number of total beneficiaries, males and females in the state in 1989-90 was 3,51,000. These formed 0.45 per cent of the total population of the state. When the total beneficiaries were classified as old age pensioners and others for the year 1989-90 for which the necessary data were available, 67 per cent, i e, two-thirds of the total beneficiaries were found to be old age pensioners. Under various assumptions the total needy helpless old were estimated and compared with the observed beneficiaries. The comparison of the expected and actual for the state as a whole did not seem unreasonable though women beneficiaries seemed more favoured than men. This is because they got the pension earlier in age and they had worse health than that of men.

The data for the beneficiaries were available for each of the 30 districts of the state of Maharashtra. But the variations between the observed districts were perplexing. The observations for districts such as Bombay, Thane, Ratnagiri, Raigad, etc, were understandable. But the variations for three subdivisions of Maharashtra such as western Maharashtra, Marathwada and Vidarbha varied enormously to suspect the figures. For female beneficiaries of age 60+ for the three subdivisions the actual number/expected number × 100 was 104 for western Maharashtra, 173 for Vidarbha and 198 for Marathwada. It seemed that the three regions really differed. But there also seemed irregularities in eligibility of beneficiaries in the three subdivisions. Both the explanations were plausible. What is badly needed is a closer examination of the pension scheme in the three subdivisions by launching some new project. But it was suspected that such irregularities were a usual part of the records of the social welfare department.

It is worth noting that the pension scheme, namely, SNAY was very welcome. It is helping the old and the destitute of the expected order of numbers. A sizeable budget of Rs 376 million in 1989-90 seemed substantial for the purpose. What is lacking is a proper supervision of the handling of finances and the proper records. If these are improved one may welcome SNAY in Maharashtra as a model of old age pension scheme.

The report under consideration provided about 90 case studies of the old including cases in the OAHs and those in the villages. There was quite a variety in the kind of old persons one came across. They were absolutely innocent villagers who had their troubles arising not from old age but poverty, ignorance and illiteracy. They believed in the goodness of their neighbours and other villagers and were prepared to approach them for help when lonely and helpless. There were many from the OAHs who had their troubles earlier but these OAHs had given them shelter and peace of mind which was impossible to get otherwise. The stories of the blind women were heart-rending. They speak a lot of the cruelty women have to bear in this society. No wonder women die at a much higher rate in the Indian society. There were city people who had the worst old age problems arising not only from poverty and crowding but from conflicts between generations. In all this crowd however there were still many who could philosophise and face their old age handicaps gracefully accepting with dignity what they got. They accepted the adverse things as natural outcome of the actions of mortals. Even differences with their co-sharers were considered natural and hence dissolved. Getting respect, recognition, identity, all such considerations once dissolved with old age, a mature judgment prevailed and the old, the weak and the infirm got stronger to face the ultimate, namely death.

The Third Stratum

S Shukla

NIRMAL MUKARJI lucidly brings out (*EPW*, May 1) some of the questions raised by according constitutional status to panchayats and municipalities through the 73rd and 74th Amendments. More fundamental issues lurk in the background.

There is understandable unease about the gargantuan centre and its sprawling apparatus at Delhi. Aside from the question of bureaucracy and the class that spawns and is spawned by it, to which we come a little later, Mukarji's unease is of a piece with a widespread but wishful feeling among many liberal and left circles in recent years that national states would somehow stop growing so big and powerful in their operations. To the extent business (monopolies and multinationals to be more accurate) take away the burden (and real authority at operational and perhaps even last analysis or last resort levels), this is easy enough for most capitalist societies. (And where are the socialist societies anyway?) But even with that, the national state and its secular trend towards growth seem inevitable, unstoppable. Tolstoy, Kropotkin and Gandhi nearer home articulated the same noble desires which contemporary thinkers whose ideas Mukarji shares express. They ignore both the nature of (hu)man(s) and of contemporary economics and their technologies. Their wishing the nation state, if not away and out, at least down, can and even will succeed. But only with consequences opposed to the outcome they desire. The multinationals will get away with the power and the authority!

Given the durability (the break up of some of them along ethnic lines when the superstates of the world and the multinationals so desire or are willing, notwithstanding) and increasing power and authority of the national state, a rearrangement of powers and functions within it can only be based on new *political* developments. Regional parties can well be seen as possible instruments of getting the Indian union to be a less strong or bloated centre. Even constitutional changes in the direction of more financial powers and resources for the states could be visualised, if the *political* momentum for this is developed by regional parties, or even a national party committed to decentralisation to states – until perhaps it graduates to the status of the governing national party! The importance of the political factor in giving real effect to matters of constitution and governance is equally well illustrated by the success of Bengal panchayats which Mukarji notes along with so many others. The West Bengal example also brings out the significance of the class content of the political.

Mention of class calls forth another important matter not noted by Mukarji though one is sure he must be aware of it. The sprawling state apparatus at the centre and also the states is symbiotic with our large middle class which continues to grow in size and strength power. How unified and all India or regional it is will to some extent determine the degree of decentralisation from centre to states. Assuming that the third stratum can successfully be self governing and not merely charged with development functions would in this context mean an entirely new level of political differentiation within the country which I am not sure Mukarji or many others who are looking for decentralisation of government and not merely of development work would countenance. It seems to be a case of wanting to eat your cake and have it as well, when you are looking for an all India middle class but district and village level self *government*.

At one point, Mukarji himself calls the whole thing absurd. He is right in a sense and to an extent he did not perhaps realise. The hour glass structure of power with weak states between strong centre and strong panchayats is unviable. Perhaps the actual operation of the scheme will show up its problems and lead to the necessary correction of both the present and currently proposed scheme ultimately, viz. through a larger number of smaller states along with, of course, more powers to the states.

One other point which lies behind this whole matter is the part played by political party structure. Decentralisation at constitutional and governmental level in West Bengal has gone alongside a disciplined and, let us face it, fairly centralised (communist Marxist ULF) party structure. It is as much a case of taking the message down from the top to the bottom, of spreading the roots and planting them even more firmly and widely into the ground, as it might be of 'self government' or initiatives from below.

It is useful to have discussions of Constitution, governance and development. But can this be meaningfully done without being clear on politics and political economy?

Maharashtra University Act

S R Dastane

WHILE Amrik Singh has elaborated a number of aspects concerning the draft bill to amend Maharashtra University Act of 1974 ('University Governance in Maharashtra', *EPW*, March 13, 1993), he has left many issues untouched. As there has been a sea change since the first University Act 1974 (UA) came into effect, time is ripe to go to the root of the problem. Unless the fundamentals are addressed, we are afraid the new Draft University Act 1992 (DUA) shall emerge as another ritual keeping many a question unanswered.

Like any other piece of legislation the UA was perfect in defining the decision making and administrative set up within the given parameters. It was all right so far as the host of affiliated constituent colleges, university departments and research institutions were concerned. Why did the UA grow outdated very soon after its coming into being? Was it because of the absence of built in flexibility? Coupled with that was it the failure to draw clear cut academic, rather than administrative boundaries? Any number of attempts to revise the UA after 1974, including the present DUA were bound to lead nowhere due to the exercises circumventing the main issues. Let us address a few of these issues briefly.

Amrik Singh time and again talks of the politicising of the entire college and university atmosphere. When a college is rated at par with other institutions of political origin and manoeuvring, no other outcome can be expected. The mushroom growth of colleges, especially in mofussil areas is mute witness to this happening. Along with a directorship of a sugar factory or district central cooperative bank, a milk cooperative or a marketing society or membership of assembly or parliament, a chairmanship of an education society running a few colleges from the taluka or district has become a singular indicator of power and

prestige. That is how power at the grassroots level is generated, nursed and mobilised. How many colleges of this type should be allowed to come up? Why cannot the need for a new college be assessed objectively before it is accorded affiliation? Both UA and DUA do their best to administer, but they lack in planning for higher education. One fails to understand how an authority like the university takes for granted the need for a new college or institution. The justification exercise from zero level will prove a step in the right direction. Otherwise the university will have to be equipped with the machinery to bear an unlimited number of institutions and colleges. The DUA is the right opportunity to plan within finite, as against infinite, parameters.

The years after implementation of UA encountered problems due to excessive centralisation of decision-making at the university level. Making of syllabii, their modification, examinations, university senate and other bodies, all amount to a highly centralised mechanism. The DUA should have made a departure from this centralisation and should have taken some positive and assertive steps away from this tendency. The programmes framed for the development of higher education during the recent five-year plans are committed to eventual decentralisation. The new education policy, 1986 (NEP) spoke highly of autonomous colleges, but we are inclined to believe that the DUA wants to "rationalise, streamline and tone up" the existing mechanism and that too within the given academic infrastructure. Then where is the qualitative improvement sought by the DUA?

One more count on which the DUA has missed to act boldly is college and University finances. Time and again the need for a financing corporation for education has been discussed and recommended favourably, but matters have got stuck somewhere. While salary grants are released by the government treasury directly to the colleges, it is the non-salary grants which prove to be very crucial for the development of a college. Because they include outlay on laboratories, library, teaching aids, stationery, maintenance and so on. The need for adequate provision for them can hardly be over-emphasised. The assessment for non-salary grants are carried out once a year and grants are actually released months after the current year. The DUA is not expected to find a solution to the procedural delays, but it could have suggested ways by which the proposed financing corporation would be accommodated within the existing academic structure at the college and university levels. This single move would certainly affect the performance of a college for better. Secondly, the academic world has to face a new reality of choice between finances for primary education and literacy missions on the one hand and for college-university education on the other hand. The financing corporation for education, if incorporated as a statutory body, is likely to attract donors to higher education and research institutions. It will be an exercise in privatising higher education at both the financing and the implementation levels.

One of the objectives of the DUA is to "promote the study of Marathi and the use of Marathi as a medium of study and examinations". The state government in Maharashtra has taken positive steps to promote Marathi at various levels. Barring the metropolitan cities like Bombay or Pune, the medium of instruction, study and examination has been mostly Marathi, even at the post-graduate level. This is largely true of social sciences and to a certain extent of the faculty of commerce. This 'achievement' has to be examined against the backdrop of candidates from Maharashtra faring miserably at competitive examinations. Performance at the all-India examinations may not be reckoned as the sole criterion of the use and application of education. It is value-consciousness and development of personality that matter. But is use of Marathi the only panacea for this state of affairs? In order to sell the idea of Marathi as the medium at the higher education level, the state government, way back in 1969, created an autonomous board to publish textbooks in Marathi at the university level. No university showed interest in this effort. All the vice-chancellors of all the universities in Maharashtra are ex-officio members of this board. More than 500 titles have been published in Marathi and about five crore of rupees have been wasted and the stocks are gathering dust in the Board's godowns. It was expected that the DUA would come out with some more practical programmes but this boldness is miserably missing.

In sum, the new realities and challenges are evaded by the DUA and an action replay of the UA has been attempted by putting the same in a new bottle.

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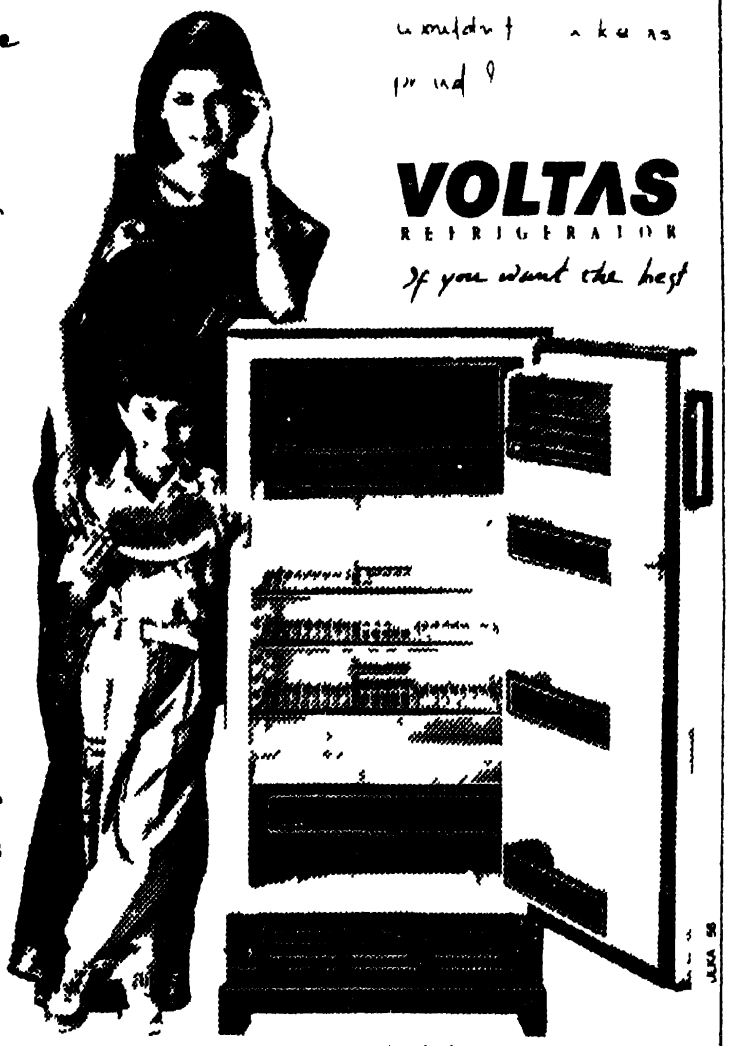
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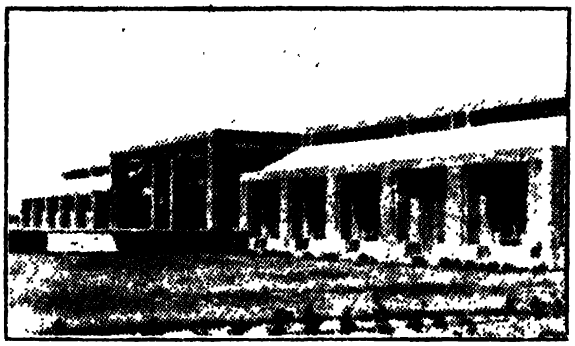
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Growth and Distribution in Rural West Bengal

Since the collapse of almost all the communist regimes in the late 1980s, the record of the longest-lived, democratically elected communist government in the world—the CPI(M)-led Left Front coalition in West Bengal—has become even more remarkable. It has appeared to a good many observers, some of them (for example, the World Bank) not at all sympathetic in general to left-wing regimes, that the Left Front government has been notably effective, in the context of South Asian rural society, in bringing about changes which have been of benefit to poor rural people. What is happening in rural West Bengal? 1237

Marxism's Dilemmas

Right from its inception Marxism established a direct relation with the traditions of the enlightenment. In recent revaluations, Marxism's crucial but contested links with the enlightenment have been brought under the spotlight taking them as the sign of both its strength and weakness. Marxism has been questioned for proclaiming rationality and scientificity as its constitutive, methodological core and for attributing a near-disabling emphasis on class as an agent of history. A discussion of the tradition of critique in Marxism and its manifold dilemmas. 1248

Health Policy

In its report *India. Health Sector Financing*, the World Bank team has set out to offer an alternative policy frame to cushion the impact of the crisis generated by structural adjustment on the health services. However, by choosing health financing as a tool for policy analysis and ignoring political and socio-economic forces and other critical inputs for health services development, the team has arrived at highly questionable conclusions. 1207

In Poverty and Debt

Agriculture proper can no longer provide the major share of either employment or income to 'agricultural labourers' in east UP. A survey of agricultural labour households in three villages throws interesting light on their levels and sources of income, consumption and indebtedness. 1211

On the Periphery

Despite their relatively well developed scientific infrastructures, India and China are, and will remain for the foreseeable future, relatively unimportant in terms of international science and scholarship. Peripheral in the world scientific system, they will continue to be influenced by scientific developments external to them. Why? 1220

Pricing Education

In the debate on subsidisation of higher education, the choice of data base and the relevant indicator of cost recovery are vital. 1259

Confused Opposition

The country must witness its economic independence slowly but surely eroded in the remaining three years given to the Narasimha Rao government because the opposition is confused and lacks conviction that India should really be charting a course of action other than the one being pushed through by the minority government 1205

Fresh Air

In the sordid atmosphere of casteism, corruption, lumpenisation and Hindutva chauvinism, the overwhelming victory of the All-India Students Association in student union elections in five universities in UP has come as a whiff of fresh air. 1215

Privatisation

While privatisation has been an important component of the transition of the east European countries from socialist to market economies, the pace of privatisation, the models adopted and the problems encountered have differed from country to country. 1216

Material and Symbolic

When one surveys Jack Goody's work, from *Production and Reproduction* to *The Culture of Flowers*, one observes two kinds of movement: first, the movement across continents and between the past and the present; and second, the movement between the material or utilitarian aspects of culture and its symbolic or representational aspects. A review article. 1232

LETTERS TO EDITOR

20 Years of Struggle

THE National Democratic Front of the Philippines (NDF) celebrated its 20 years of struggle in a function, jointly hosted with the Party of Labour of Belgium (PvdA/PTB), on April 23 1993 in Brussels. Welcoming the invitees during the reception, NDF vice chairperson Luis Jalandoni introduced the organisational representatives. Then a video on the Revolutionary Health Care in the Philippines' was followed by the forum comprising Luis' talk on the NDF and his clarifications on various points from the participants.

Besides, the NDF and PvdA/PTB, the representatives from following oganisations were present: African National Congress (ANC), one Chilean, Marxistisch Lenimistischen Partei Deutschlands (MLPD), Ethiopean Embassy, EPRDF, Indian Peoples Front (IPF), Front Demokrasi Indonesia (FDI), Asian Centre for Cultural Exchange in Kyoto in Japan (ACCE), Japanese People's Movement 90s against the Second Invasion of Asia (JPM 90s), Federation of Marxist Leninists of Nederland (FMLN), Partida Communista del Peru Patria Roja and two other Peruvians, Families of Victims of Involuntary Disappearance (FIND), and a delegation of the Turkish youth.

The forum began with Luis presenting an overview of 20 years of revolutionary struggle, which was preceded by 12 years of the anti imperialist movement. The history of NDF is inseparable from that of the Communist Party of the Philippines (CPP), which was re established in 1968. Already, since 1961, a revolutionary mass movement had grown and legal national democratic organisations emerged. With the CPP in 1968, and the NPA founded in 1969 a preparatory committee PREPCOM of mainly the party members met in 1971. Thereafter on April 24, 1973 was promulgated 10 Point Programme of the NDF by leaders of the participating mass organisations and the party. The NDF presently comprises 15 allied organisation including the CPP and NPA. With the possible exception of one national democratic mass organisation, all others were organised by the party cadres. For conciseness is reproduced the forum invitation summary.

> It has been 20 year of struggle of underground and open work, growth development and grass roots governance. There have been victories and achievements there have also been mistakes and shortcomings. This growth has been the result of great sacrifices and the commitment of hundreds of thousands of comrades friends and allies. Revolutionary martyrs have shed their blood many others have undergone imprisonment torture and disappearances. Through hard struggle and by surmounting many difficulties, the NDF has grown into the organisation it is today.
>
> The allied organisations in the NDF are firmly rooted in all the significant island of the Philippines. The people's war continues to advance more and more organs of the people's political power continue to be built in the countryside. The agrarian revolution health care literacy campaigns and other grassroots programmes of the NDF are now benefiting hundreds of thousands in the rural areas. The mass movement has also advanced in the towns and cities.
>
> The entire revolutionary movement is now undergoing a rectification process. Several big errors of the past decade have been identified and are currently being corrected enthusiastically throughout the country and (the rectification process) is laying the foundation of greater unity and strength, and for further revolutionary advances.
>
> The NDF persists in its struggle for a just enduring and liberating peace and has issued its Agenda for a Just and Enduring Peace that comprehensively addresses the root causes of the armed conflict.
>
> As the NDF enters its third decade we indeed have many reasons to celebrate.

In the concluding session, Luis gave clarifications on various points raised by the participants.

Within the CPP, he said contentions exist due to revisionist tendencies, but not of a big degree. There are splinter groups in the Negro region, but not serious. During the rectification movements, a new formation has emerged a small one decreasing in strength. Overall, there is a continuing dialogue and correction of errors of the past. The collapse of the Soviet Union and other east European regimes is a collapse of revisionism, rather an unmasking of revisionist regimes after 30 35 years of take over of socialism. This is to have a long term positive effect on revolutionary movements all over the world. The increasing crises in the capitalist and third world countries provide favourable opportunities for a new surge of a higher order, despite an apparent increase in the power of neo imperialism.

Japanese imperialism continues to have adverse relations for the Philippines, in association with the US imperialism, and also the German. However, Japan is number one in aid, loans and trade in the south-east Asian region. It has contention with the US, but also collusion with respect to the third world. The question of the peasants getting tired of their revolutionary enthusiasm does not arise. After all, throughout their life and since ages, they have suffered the misery of exploitation by the rich. How can they get tired of the hardships of revolutionary struggles which can lead them only to a better life? Who can get tired? Only those of petty bourgeois origin, never the peasants.

In 1986, there were certain elements in the left movements who held illusions about the Aquino regime for land reforms but their experiences soon led them to disillusionment. On the question of talks with the present government the purpose is clearly a consolidation of the revolution's gains. There is a clear understanding in commencing the dialogue. On the one hand it is recognised that the Ramos regime has no sincerity as it indulges in talks and simultaneously engages in intensive war with massive bombing of the regions under revolutionary control. On the other hand the CPP believes in revolutionary struggle and in the armed struggle as the main task. The tactical aim of talks are not to allow the Ramos regime getting a positive image with the NDF putting forth concrete proposals for a just and enduring peace, with full confidence in achieving that in the main only by revolutionary struggle. In other words the engagement in this arena of struggle is to expose the reactionary regime, gain some relief with a letting up of state pressure on the revolutionary movement.

N SINGH

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ECONOMIC AND POLITICAL WEEKLY

Receding Recovery

THE world economy is in a state of disarray. With the monetary squeeze employed by most industrialised countries for fear of inflation their economies were plunged into a period of recession three years ago. But, except for containment of inflation, no major macro economic objective or structural reform has been achieved during the period since 1990. High and in some cases growing levels of budget deficit and large public debt, shortage of domestic saving generally, persistent BoP imbalances, trade tensions, uncertainties of exchange rate movements and, above all, increases in unemployment rates have characterised the economic performance of almost all industrialised countries in the recent period. This period has also brought to light the widening gulf between the macro economic performance of industrialised countries and the attainment of their societal goals. The rate of growth in world trade volume increased to 4 per cent in 1992 from 2.6 per cent in 1991 due to aggressive dependence on external trade as an engine of growth following the narrowing of domestic demand generally but world output grew by only 0.6 per cent in 1992 against 0.1 per cent in the previous year. The GNP growth of the industrial world during the year was only 1.5 per cent as against 0 per cent in 1991. More importantly, the estimated unemployment rate for the OECD countries which had fallen to 6.2 per cent towards the end of the last recovery phase in 1990 increased to 7.9 per cent in 1992. In absolute terms, the number of people unemployed in the OECD area rose to 35 million in 1992 a new post war record.

That the entire world economic situation is markedly uncertain is evident from the inability of many international or multilateral organisations to forecast the shape of things to come. The IMF had to cast, in December 1991, a GDP growth of 2.8 per cent in 1992 for the industrialised countries, the forecast was reduced in October 1992 to 2 per cent and, finally, the estimate has now been pegged at 1.5 per cent. The US, which suffered an absolute fall in real GDP by 1.2 per cent in 1991, showed an improvement of about 2 per cent in 1992 but continental Europe for the second year in succession and Japan for the first time faced serious recessionary conditions in 1992. For 1993, the IMF forecast in October 1992 a growth of 2.9 per cent for the developed countries which has now been trimmed to 1.7 per cent. In the case of West Germany a projected growth of 2 per cent for 1993 has now been converted into an equal contraction in GDP. Japan's GDP, which expanded by 4 per cent in 1991 grew by just 1.3 per cent in 1992 and is expected to grow by 1.3 per cent in 1993. As against these IMF forecasts, the OECD has further reduced its already bleak forecast of 1.9 per cent for 1993 made in December 1992 to 1.2 per cent in respect of its 24 member countries. For Japan, the OECD does not expect a growth rate higher than 1 per cent in 1993. The most dramatic differences in forecasts relate to those for the US. The IMF had initially forecast a robust expansion in the US economy in 1993 of 3 per cent which has been raised to 3.2 per cent in its latest *World Economic Outlook*. To an extent this was induced by the acceleration in the US growth rate in the last two quarters of 1992 at 3.4 per cent and 4.8 per cent, respectively, making the 1992 full year growth respectable at 3.2 per cent. Likewise OECD which in December 1992, projected US growth at 2.4 per cent for 1993, has improved it to 2.6 per cent in its latest projections made in early June 1993. But indications are that the US economy is not showing the expected robustness. Initially the US commerce department placed growth in the first quarter of 1993 at 3 per cent, but slashed it to 1.8 per cent at the provisional stage of estimation mid way and now it has drastically revised the figure down to only 0.9 per cent. A major cause of gloom is the acute recession that continental Europe has sunk into. As already mentioned, both the IMF and the OECD expect German GDP to contract by about 2 per cent in 1993 and recover only moderately in 1994. The European members of the OECD as a whole are expected to experience an absolute fall of about 0.3 per cent in GDP in 1993.

A major source of concern has been the failure of the growth process to make any impact on the growing unemployment in the industrial world. The OECD expects that the unemployment rate will rise from 7.9 per cent of the OECD labour force in 1992 to 8.5 per cent in 1993 and further to 8.6 per cent in 1994, despite possible increase in the GDP growth rate from 1.2 per cent to 2.7 per cent in the next two years. As a result, the absolute number of the unemployed is likely to go up from 35 million in 1992 to 36 million in 1993 and further to 36.5 million in 1994. This implies that the OECD's European member states will have a total of nearly 23 million jobless by the end of 1994, the US 8.25 million and Japan 1.7 million. OECD Europe will experience a sharp increase in the unemployment rate from 9.9 per cent in 1992 to 11.4 per cent in 1993 and further to 11.9 per cent in 1994. Germany's jobless are expected to increase from 4 million in 1993 to 4.5 million in 1994 or from 10.1 per cent to 11.4 per cent of the labour force. The OECD secretariat has argued that social cohesion in the industrial countries will be threatened if unemployment persists at the current levels. Apart from significant rationalisation of labour deployment effected by firms in the context of external competition and labour displacement due to contraction of defence and defence related industries, OECD officials are concerned that this time unemployment has been falling more slowly than in previous upturns in countries such as the US. The rates of reduction of defence expenditures are expected

to accelerate from 7.5 per cent in 1986-91 to 13 per cent in 1991-94 in Germany and 7 per cent to 21.4 per cent in the US. Besides, it is not just the volume, the duration of unemployment has been prolonged in recent years. Further, loss of jobs has been widespread, affecting white-collar workers and middle and upper managers far more severely than previously.

The governments of industrialised countries appear to have reached the end of their wits and can do little to stimulate growth and create jobs. This is evident from the OECD's admission that there is little scope for expansionary monetary or fiscal policies; it only urges member-countries to reject protectionism and focus on improving the skills of workers to combat unemployment. The central banks of the major industrialised countries have shown considerable determination in pursuing monetarist policies and curbing real economic activity along with inflation. They have, however, cut interest rates recently to give a stimulus to revival of economic activity. In the US, real interest rates have reached near-zero levels and short-term interest rates are at their lowest levels in the past 30 years. The UK has also reduced its real interest rates significantly after it came out of the European exchange rate mechanism (ERM). Other ECM countries have, however, not been able to effect any drastic reduction in real rates due to their anxiety to protect the ERM, though they too have cut their nominal rates. Growing budget deficits have become the single most important constraint on pursuing a viable policy for economic revival. The US budget deficit has shot up from an average 2 per cent of GDP in 1988-89 to 3.4 per cent in 1991 and further to 4.4 per cent in 1992. Low levels of domestic saving, large household debt and debt service burden and the weak financial position of the household sector remain key factors in preventing a stronger US recovery, as they have ruled out any significant growth of household consumption expenditure. The example of the UK is even more instructive in this respect; the country has moved from a small budget surplus of 0.2 per cent in 1988-90 to a deficit of 2.7 per cent in 1991 and 6.3 per cent of GDP during 1992—without the government having resorted to any counter cyclical fiscal policy. Likewise, the budget deficit has deteriorated in the case of the European community as a whole from an average of 3.4 per cent in 1988-90 to 4.6 per cent in 1991 and to 5.3 per cent in 1992. The resulting increases in interest burden have begun to crowd out other forms of public spending.

Another source of imbalance has been the current account deficits of the US and Europe on the one hand and the persistent expansion of the current account surplus of Japan. Japan's current account surplus more than doubled to $118 billion in 1992 and is expected to rise to $137 billion in 1993, because the US is facing the J-curve effect following the depreciation of the US dollar *vis-a-vis* the Japanese yen. Conversely, recessionary conditions in continental Europe and Japan are hampering US exports. The current account deficit of the US has galloped from about $38 billion in 1991 to $62 billion in 1992 and is likely to go up to $101 billion in 1993. Almost all developed countries other than Japan are likely to face a rising current account deficit.

As the IMF has reported, the recent increases in private sector indebtedness relative to asset values and incomes, combined with the cautious lending policies of financial institutions because of their large non-performing assets, are also likely to contribute to the slowing down of the pace of recovery in the industrial countries. Despite fiscal and monetary stimuli in the US, Japan, UK and Canada, private consumption has remained subdued.

Finally, the failure to attempt the targeted convergence among the EEC countries as per the benchmark criteria set out in the Maastricht treaty in such matters as exchange rates, fiscal deficits and interest rate differentials, as also the trade tensions amongst the three blocks of countries—North America, Europe and Japan—have worked to prevent a world economic recovery and led to a further strengthening of protectionist tendencies amongst developed countries. In such a milieu the growth and trade prospects of developing countries clearly cannot be insulated from the gloom enveloping the developed economies.

GOLD

Stoking the Demand

THE World Gold Council (WGC) is a promotional association of gold producing companies from 14 countries and has its headquarters in Switzerland and offices in 12 other countries. The Council, which has the primary objective of "stimulating demand for gold by promoting its consumption in jewellery, investment and industrial uses", has been closely studying the situation unfolding for gold in India for many years. It has finally decided to open an office in Bombay soon. Revealing this development recently, the chairman-elect of the WGC, R A Plumbringe, who is also the chairman of Gold Fields of South Africa, sounded exuberant about the gold market in India. He said that while fears had been expressed in some quarters that the liberalised gold import policy might kill the market for gold in India, he believed that such apprehensions were unjustified; in fact the actual offtake of gold in the country had increased since the liberalisation. No doubt there was a marked shift in the sources of gold flow into India, from smuggling to officially-encouraged inflow. For Plumbringe, this hardly mattered; he thought that India, along with the West Asia, South-East Asia and China, had become a dominant factor in world gold trade. *The International Business Week* (New York, June 21, 1993) has also emphasised the importance of increased demand from India and China as a factor in the recent bullish trend in gold prices.

The WGC has dashed the hopes of policy-planners in India that the liberalised exchange rate policy combined with the official blessing for gold import would end smuggling and eliminate the unofficial ('havala') exchange rate for the rupee. Nothing of the sort has happened. Reports suggest that the rupee is being quoted at one US $ = Rs 34 in unofficial dealings in the Gulf compared to the official rate of around one US $ = Rs 31.44. While the spread has no doubt narrowed from 15 to 20 per cent to 8 to 10 per cent, the havala market will persist so long as the government retains the figleaf of the NRI route of importing gold or until it formalises the free import of gold entirely through officially-recognised channels. (Clandestine imports of silver and consumer goods also support the 'havala' market, but their contribution is small compared to that of the gold trade.)

What has government policy on gold achieved? It has reduced the domestic price of gold which, as economic logic would suggest, has led to a sharp increase in the demand for gold in India. Total gold imports, clandestine and legal together, are estimated by authoritative agencies at 260 tonnes in 1992 against 162 tonnes of gold smuggled in during 1991 (when legal imports were not permitted). Out of the 260 tonnes imported in 1992, as much as 168 tonnes were smuggled and 98 tonnes were imported through NRIs. The annual survey of the London-based Gold Fields Mineral Services for 1992 has revealed that India continued to be the second largest gold fabricator in the world, second to Italy, with the country's fabrication going up from 187.9 tonnes in 1988 to 233.7 tonnes in 1991 and further to 306.6 tonnes in 1992. In addition to fabrication, there was an additional 50 tonnes in the form of investment in gold bars in 1992, taking total consumption of gold in India in the year to 356 tonnes

which is divided into (i) clandestine imports of 168 tonnes, and (ii) legal supplies of 188 tonnes consisting of 93 tonnes of NRI imports, 2 tonnes from domestic mines, 75 tonnes of scrap and 18 tonnes of imports under replenishment scheme for jewellery exports. Again, as per the WGC, India has purchased 118 tonnes out of the 623 tonnes of gold bought round the world in the first four months of 1993.

The foreign exchange spent on 260 tonnes of gold in 1992 would work out to approximately $ 2.8 billion. It is now widely acknowledged that even the legal import of gold through the NRI route (140 tonnes in 1992, valued at US $ 1.5 billion) is by and large undertaken and financed by the smugglers' network. Therefore, for both smuggled gold and NRI imports, there would be demand for dollars which has to be financed from the Indian sources through the 'havala' route (except for genuine imports by individual NRIs). There is an insatiable demand for gold in India and gold is known to be a price elastic commodity with the high elasticity further stimulated by an environment of liberal imports and laxity in enforcing tax compliance. Any governmental measure which goes to reduce the domestic price of gold will thus bring about a more than proportionate increase in demand for gold, which is what happened in 1992. The price of gold which was ruling at Rs 4,770 per 10 grams towards the end of February 1992 in the Bombay bullion market crashed to around Rs 4,200 after the new gold policy was announced and generally ruled 8 to 15 per cent lower throughout 1992. But the demand for gold jumped by over 60 per cent in 1992. The logic of the WGC's arrival in India and the government's new gold policy imply free import of gold very soon. As a result, there will be a growing outlay in foreign exchange on gold imports and it is unlikely that this foreign exchange outflow will be compensated for by the inflow of additional foreign exchange due to arresting of capital flight, including that by the 'havala' route adopted by the NRIs.

ASSAM

Changing Political Equations

Kamaroopi writes.

THE simmering proxy war between the United Liberation Front of Asom (ULFA) and the CPI(ML) (Vinod Mishra group) that has been going on, apparently without the direct participations of either of the two organisations, in the columns of two weekly newspapers published from Guwahati, has now come out in the open. The polemics that followed the extended visit to Assam by Vinod Mishra, the general secretary of the CPI(ML), culminating in the May Day rally that he addressed in Guwahati, has been especially virulent, though it was not clear whether these, especially the sustained attack on the politics of the CPI(ML) reflected the actual views of ULFA. These uncertainties have been removed by a statement issued under the signature of Anup Chetia (also known as Golap Baruah), ULFA general secretary, dated May 28.

Anup Chetia's statement which reads almost like a recycling of the published attacks on the CPI(ML) takes exception principally to what is described as the conspiracy of CPI(ML) to split ULFA. It also accuses the party of playing 'the illegal migrants card' with a view to destroying ULFA. Taking exception to the reported stand of the CPI(ML) that on the issue of illegal migrants the position of ULFA was no different from that of the Congress(I) or the BJP, Anup Chetia's statement counters that on the contrary a similarity of perception on the illegal migrants issue is shared by Congress(I), the BJP and the CPI(ML) itself. Accusing the CPI(ML) of adopting a 'two faced policy' towards ULFA seemingly accommodating at one point and openly hostile at another, the statement also pointedly refers to the 'enormous disparities' in Vinod Mishra's views on ULFA as expressed during his May Day rally speech in Guwahati and in an interview that he later gave to *The Economic Times*, Calcutta on his return –parts of which have been recently clarified as 'misreporting'.

These polemics only reflect the now-on now off character of the relationship that has always existed between the two parties. Indeed, these tensions and contradictions, which can be traced back to a period when ULFA was not a formal force, have been necessarily influenced by the relatively non antagonistic stand that this faction of the radical Left took *vis a vis* the anti foreigner agitation in Assam. Sharply distancing itself from every other parliamentary or extra parliamentary Left formation, almost all of which were highly critical of the Assam agitation, the Vinod Mishra faction of the CPI(ML) had extended qualified support to the agitation even while maintaining its independent stand. For instance, the leadership of the Autonomous State Demand Committee (ASDC) in Karbi Anglong, the organisation which is spearheading the ongoing agitation in the two autonomous hill districts for their constitution into an autonomous state within Assam, which is now known to have been for long an active constituent of the CPI(ML), was also active in the anti foreigner agitation, though it broke with the post-agitation AGP leadership on the issue of an autonomous state.

A similar kind of qualified and critical support to the political demands of ULFA short of its stated objective of Swadhin Asom characterised the relationship between the ASDC and ULFA especially in the Karbi Anglong district where the ASDC was in power during the height of ULFA's activities in Assam as well as during the period when army operation were launched and ULFA was on the run. However with the return of the Congress(I) to power which was quickly followed by the ousting of the AGP administration in Diphu all the political equations in the state are being reviewed. The falling out between the CPI(ML) and ULFA appears to be part of this process unlikely to be affected substantially by the more considered clarifications that have followed.

Further given the fundamental ideological divide between the CPI(ML) a party whose very nomenclature affirms its commitment to India as a political unit and ULFA which rejects that concept the break was inevitable. The accusations that have followed that the CPI(ML) was propagating and even encouraging allegedly non existent differences in ULFA leadership or that its whole thrust in Assam has been to debilitate and finally destroy ULFA seem to be discoveries made following the Vinod Mishra incursions. What is rather surprising has been the virulence of the polemics of the proxy war waged by publicists of the two formations. Anup Chetia's direct intervention now removes all ambiguity about whether these proxy wars were being waged by over zealous loyalties from outside or whether these reflected the actual stand of ULFA.

WEST BENGAL

Condoning Violence

"HOW many divisions does the Pope have?" was reportedly Stalin's quip to Truman's proposal that the Pope also be invited to the post war peace parleys. The Pope did not have any, and therefore, he could not pass muster at that time. But the Vatican had its revenge decades later when its reserve army in the form of faithful Catholic flocks in Poland, directly led by a Cardinal who is the present Pope, shook the foundation of the Polish part of the post war order that Stalin had built so meticulously.

This old, perhaps apocryphal, account finds an echo in West Bengal's influential information minister, Buddhadev Bhattacharya's retort to the CPI MP Gita Mukherji's public complaint about the CPI(M)'s violence against her party's

bases in parts of the Hooghly district Bhattacharya had reportedly followed Stalin in questioning the CPI MP's credentials in terms of her mass following Bhattacharya, it appears, was gently corrected by Benoy Chowdhury, formally his senior in the state cabinet and undoubtedly his superior in terms of sobriety in judgment Chowdhury pointed out that there were occasions in history when even one half of one per cent had made a significant difference

What Bhattacharya perhaps overlooked or failed to appreciate was that segments of public opinion, beyond the CPI(M)'s committed periphery yet unattached to the bandwagons of the Congress or the BJP, may find in retorts of this sort a stimulus for hardening their attitude against the CPI(M) Indeed, for the impartial and concerned public, the question at issue is not the mass sanction behind the complaint of violence, but its factual foundation

If people are allowed to drift into the belief that violence even against a Left Front ally is condoned by a leading CPI(M) minister, then obviously BJP or Congress charges of a similar nature would find a fertile soil to blossom luxuriantly 'Dizzy 'with success'—even if some CPI(M) leaders think they have a right to be—they should not forget the 'build-up' of critical forces and processes all around in the state and the country as a whole, demanding utmost discretion on the part of a force claiming the mantle of the leadership of the democratic and progressive forces

PURCHASING POWER PARITY

Hidden Agenda?

WHY is the decision of the International Monetary Fund to use the purchasing power parity instead of the dollar exchanges rate for the currency of a country in estimating its total output making headlines? After all, the concept of purchasing power parity can be said to go back to none other than Ricardo In recent years fairly credible attempts have been made to quantify the parities between different countries The UNDP compilation of a human resource development index has been making use of these parities for some years now So, if anything, the IMF is a sort of Johnny-come lately in taking to the parities And still its conversion, however delayed, has made the news Why?

It cannot be because as a consequence of the changed bases of estimation the ranking of various developing countries has improved or that giants like China and India (in terms of their size) have replaced major developed countries in ranking with respect to total output or even that the developing countries, as a group, is found thereby to account for more than one-third of world output (as against less than one fifth on the basis of the dollar exchange rate) Once the parities are estimated reasonably correctly for the various countries the calculation of the total as well as per capita output of each of these and their ranking is a simple exercise in arithmetic

Obviously, it is the IMF stamp on the use of parities that is considered significant And what meaning could one read into the change in IMF's practice in this regard? One can only raise questions in response Given the fact of the number of clients for IMF assistance increasing and given also their requirements of assistance and given, at the same time, the extreme reluctance of the controlling voices in the IMF to expand the organisation's access to resources, would it not be natural for the Fund to devise strategies whereby the demands of the older clients can be reduced somewhat in order to accommodate the requirements of the new clients? If developing countries can be shown to be not as badly off as was believed to be the case when their incomes were calculated in terms of the dollar exchange rate naturally the case for assisting them even for purposes that an organisation like the IMF is supposed to cater to, becomes less strong The fact that the World Bank has yet to be converted to the idea of switching over to the purchasing power parity may well be part of the overall strategy of a 'step-by step approach But the move may well be round the corner

The strategy seems to be to reduce the share of the developing countries in the total resource transfers, multilateral no less than bilateral

PAKISTAN

New Constituency

THE dismissal of Nawaz Sharif and his subsequent reinstatement following the Supreme Court judgment have, it would seem, given a fresh lease of life to Sharif's political career At the same time it has put president Ghulam Ishaq Khan and more significantly Benazir Bhutto in a spot Sharif's reinstatement has also served to consolidate a new constituency other than the landed traditionalist forces, which is only beginning to seek and consolidate political power through democratic means

At the time that Sharif was dismissed, the balance of forces was such that he had been rendered more or less powerless For one thing several of his supporters within the ruling alliance had deserted him And had he moved the motion to revoke the eighth amendment, there was little chance of it being passed But by dismissing the government Ishaq forced the newly emerging sections supporting democratic reform to take a more forthright stand delinking themselves from their pro Pakistan People's Party past

The general feeling was that even if Sharif had been entirely responsible for the events which led to his fall, Ishaq's actions could not be condoned Even as they were compelled to draw attention to the rampant corruption and mismanagement in the Sharif government, they were willy nilly forced to question the democratic basis of Ishaq's moves

The Supreme Court's verdict and the big vote of confidence he has received in the National assembly have gone a long way in restoring public confidence in Sharif especially because it has also meant the return of some of those who had moved away from him in the period before his dismissal The dissolution of the assemblies in Punjab and the North West Provinces and the uncertainties in Sind have of course made things more dicey because the decision to hold elections will depend on the sort of support Sharif can expect in these regions As it happens the governors of all the four provinces are likely to be with the president

The Lahore high court order issued late this week restoring the Punjab assembly pending a final decision after completion of the hearing is especially significant now Sharif will no doubt make good use of the interim period The petition in the Lahore high court challenges dissolution of the Punjab assembly on the ground that a vote of no confidence against the chief minister had been tabled in the assembly before he advised the governor to dissolve the house

Sharif can now afford to be magnanimous with the Pakistan People's Party and seek to reach an understanding but he cannot afford to do without Benazir Bhutto's support Especially because in Sind where the PPP has had traditional support, it is striving hard to bring down the chief minister or force a dissolution of the assembly And Benazir Bhutto has little option but to come to some agreement with Sharif

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Hurt by Cut in Public Sector Investment

Jairaj Kapadia

MANGALAM CEMENT is the first cement company to have declared its financial results for the year ended March 31. As the results announced early in May were poor, the market was shocked. Now the company has released the report and accounts for 1992-93 and on going through that it is possible to examine the reasons for the setback in the results.

Although both production and despatches of cement were higher at 3,92,416 tonnes and 3,96,052 tonnes compared to 3,88,258 tonnes and 3,85,973 tonnes in the previous year, net sales, inclusive of self consumption of Rs 163 lakh against Rs 62 lakh in the previous year, recorded a decline from Rs 842 lakh to Rs 4,745 lakh. Profits suffered more owing to depressed cement prices and due to severe restraints exercised by the government on its purchases. As cement consumption on government account is 35-40 per cent of production of the industry, the directors observe that, "if purchases are restricted, the prices of cement are bound to remain depressed".

There was a fall of 10 to 20 rupees in cement price per bag during the year. On the other hand, there was a steep hike in the cost of coal, railway freight and power, cumulatively of the order of Rs 11 per bag. Besides, coal supplies were inadequate and of poor quality, covering a linkage up to only 62 per cent for the company, while the balance was procured from the open market at exorbitantly high cost. In this connection, the directors state that if all the linked supplies are met by the government, the additional cost on coal incurred could be saved and used more productively for modernisation and expansion.

One observes from the published accounts that interest charges escalated to a figure of Rs 122 lakh from Rs 78 lakh in the previous year. This, of course, was in the wake of high interest rates, although loan funds during the year increased from Rs 3,451 lakh to Rs 11,622 lakh but all of this on account of long term borrowings. At the same time, packing, forwarding and distribution expenses went up a big margin from Rs 789 lakh to Rs 1,033 lakh as miscellaneous expenses increased from Rs 123 lakh to Rs 161 lakh. Following the setback in profits the dividend is pruned from 24 per cent to 20 per cent but the surplus of profits carried over is more at Rs 688 lakh compared to Rs 555 lakh in the previous year.

The dividend covers increased share capital following a rights issue of 42,67,038 shares which was made in October 1992, in the proportion of three shares for every five shares held at a premium of Rs 50 per share. There has accrued from the rights issue Rs 2,127 lakh in share premium account with reserves and surplus aggregating to Rs 5,977 lakh compared to Rs 3,781 lakh in the previous year. The company invested an additional Rs 25 lakh in Mangalam Timber Products an associate company.

The company having its works at Kota district in Rajasthan is in the process of setting up a new plant at the existing site in the name of Noor Shree Cement with an annual capacity of 6 lakh tonnes per annum. The trial runs of the crusher and the kiln were taken in March this year and the mills and the packing plant are to be commissioned during the third quarter of the current financial year.

The Week's Companies *(Rs lakh)*

Financial Indicators	Mangalam Cement March 1993	Mangalam Cement March 1992	Punjab Woolcombers March 1992	Punjab Woolcombers March 1991	Polymer Papers March 1992	Polymer Papers March 1991
Income/expenses/profits						
Net sales	4745	5842	4017	3324	526	475
Excise duty	1319	943	1		17	55
Other income	108	166	51	11	80	15
Increase (decrease) in year end finished stock	27	71	(86)	269	37	7
Raw materials consumed	600	668	2218	2089	456	301
Power and fuel	1835	1784	127	114	12	11
Other manufacturing expenses	209	227	265	280	6	6
Labour cost	279	222	358	283	45	34
Other expenses	1241	879	227	167	96	80
Operating profits	716	1643	768	601	65	65
Interest charges	122	78	294	191	22	18
Gross profits	594	1565	474	409	43	47
Depreciation	256	260	126	119	7	7
Profits before tax	338	1305	348	290	36	40
Tax provision		725	150	100	14	15
Profits after tax	338	580	198	190	22	25
Dividends	162	199	42	40	9	5
Liabilities/assets						
Paid up capital	1137	711	120	120	92	46
Reserves and surplus	5977	3781	1010	851	67	56
Long term loans	10752	2337	321	376		4
Short term loans	870	1104	930	635	109	57
Other liabilities	2023	2028	501	506	99	97
Gross fixed assets	20704	9666	1630	1517	152	148
Accumulated depreciation	3034	2664	776	651	94	87
Inventories	842	702	1104	995	132	74
Of which finished goods	259	232	512	598	84	47
Receivables	561	437	507	426	117	79
Loans and advances	1203	1498	132	124	29	22
Cash and bank balances	372	237	142	63	15	15
Investments	110	85	150	76	12	8
Other assets					4	1
Total liabilities/assets	20759	9961	2888	2545	367	259
Key financial ratios						
Turnover ratio	0.23	0.59	1.39	1.31	1.43	1.83
Return on sales %	12.52	26.79	11.80	12.30	8.17	9.89
Return on investment %	2.86	15.71	16.41	16.07	11.72	18.15
Return on equity (%)	4.75	12.91	17.52	19.43	13.84	24.51
Earning per share	2.97	8.16	16.47	15.77	2.42	5.35
Dividend (%)	20	24	35	33	16	10
Book value per share (Rs)	47.24	37.04	93.86	81.20	17.33	22.08
Current market price	51.25		182.50		25	
P/E ratio	17.26		11.08		10.33	–

PUNJAB WOOLCOMBERS

Buoyed by Import Liberalisation

The equity share of Punjab Woolcombers which is of Rs 10 face value is currently traded on the Bombay Stock Exchange at Rs 182.50. It was quoted at Rs 450 in the first quarter of 1992. The scrip is now quoted as compared with the company's earnings for the year ended March 31, 1992 at a far more attractive ratio of 11.08 as compared with what was the case early last year.

The prospects of the company are reinforced by the present liberalised imports which are critical for Punjab Woolcombers in its manufacture of wool

wipe and woollen worsted yarn, besides acrylic tops and yarn and blended yarn Its operations during 1991 92 were circumscribed by the various curbs which were imposed on imports But such is not the case now With imports liberalised, the performance of the company will be better for 1992 93 Moreover, the last year's credit squeeze, another restraining factor, is now relaxed

Despite the restraining factors, however, production during 1991 92 increased in value in combing section from Rs 17 90 lakh to Rs 19 42 lakh, with production of acrylic tops amounting more at Rs 6 09 lakh against Rs 4 84 lakh in the previous year In spinning section, the output was marginally more at Rs 14 57 lakh against Rs 14 54 lakh in the previous year Sales improved and so also profits and the company also declared a slightly higher dividend of 35 per cent compared to 33 per cent for the previous year

A small beginning was made in export with the execution of an initial order for woollen worsted yarn received from Hong Kong Wool combing operations are being modernised in a phased manner The company has joined as a co promoter in the joint sector company, Oswal Sugars, which has commenced production of sugar with a capacity of 2,500 tonnes cane crushed per day at Mukerian Punjab With an investment of Rs 58 50 lakh, investment as at the close of the year (mainly in group companies) have increased from Rs 71 55 lakh to Rs 150 05 lakh

POLYMER PAPERS

Promising Outlook

Polymer Papers, New Delhi, is taken up for review for two important reasons First, it is engaged in a sophisticated field of manufacture of impregnated and converted technical/filter paper as well as manufacture of filter and testing equipment, in addition to special adhesives and synthetic resin Secondly, there is seen a good potential in industrial use of impregnated filter paper and in export of filter equipment

Explaining the position, the directors in their report for 1991-92 observe that the outlook is promising since (i) the paper division continues to show increased volume and value turnover, with the company once again securing the entire order for South Central Railway's requirement for 1992-93, (ii) the filter division business is showing substantial growth in the two new areas of air intake filteration systems and lube oil filters for diesel loco traction with prospects of regular exports developing, and (iii) the engineering division has added new ranges of equipment for export and is also finding additional markets for the same. Exports by the company are to advanced areas like the US, Japan and West Europe. As against foreign exchange earnings of Rs 86 lakh, foreign exchange outflow was nil in 1991-92

In spite of increased overall sales turnover in 1991-92, the company registered a lower profit because of increase in production costs and tight money market conditions while certain export orders of the engineering division could not be covered in the year's results, as the shipments were made only after the close of the year A rights issue of Rs 46 lakh, increasing the share capital from Rs 46 lakh to Rs 92 lakh was oversubscribed The year's dividend is paid *pro rata* on the rights shares

DHANANI GROUP

Emerging Conglomerate

The Dhanani group is slowly emerging as a well diversified corporate conglomerate in the country Its closely held public limited company, Liberty Fertilisers, took over in October 1991 MP Agro Morarji Fertilisers a Bhopal based fertilisers manufacturing company from Dharamsi Morarjee Chemicals For the past two years MP Agro Morarji Fertilisers has shown excellent results For the year ended March 31 1993 sales registered a growth of 36 per cent at Rs 629 lakh as against Rs 461 lakh in the previous year Profit after tax jumped by 400 per cent and stood at Rs 41 lakh as against Rs 10 lakh in the previous year For the year ended 1991 92 the company paid a dividend of 15 per cent To part finance its expansion and modernisation programme the company is coming out with a rights issue offer on June 21 of 23,40 000 equity shares in the proportion of five equity shares of Rs 10 each at par for every one equity share held aggregating Rs 234 lakh

Sayaji Hotels (SHL), a Baroda based three star hotel, one of the first ventures of the Dhanani group, has also shown good results for the second consecutive year of operations and declared a 22 per cent dividend The shares of the company which were offered to the public in October 1992 are now quoted at Rs 20 on the Baroda stock exchange. The company has drawn up an expansion programme and is also in the process of acquiring hotels/resorts in other cities

The third company of the Dhanani group, namely Welterman International (WIL), is located at Savli taluka near Baroda, a state notified backward area that is eligible for state subsidy and tax incentives It has entered into a technical tie up with a leading Italian firm for the manufacture of unit leather soles The civil works of the project are nearing completion and machinery imported from Italy has arrived and is being installed Production is to start shortly The project to cost Rs 484 lakh, is appraised by the Industrial Finance Corporation of India The IFCI has extended a term loan of Rs 124 lakh The company is to make a public issue of Rs 315 lakh later this year

CORE PARENTERALS

Expansion Project

Core Parenterals has received SEBI consent to offer 75 31 lakh zero per cent FCDs of Rs 25 each on 1 1 rights basis to its shareholders and part B debenture holders amounting to Rs 19 crore, each FCD to be converted into one fully paid up equity share on April 1, 1994 The company also plans to offer to the Indian public and NRIs 43 lakh equity shares of Rs 10 each at a premium of Rs 140 amounting to Rs 79 crore. These funds are proposed to be raised to part finance its ongoing expansion and diversification project of Rs 161 crore The balance is proposed to be financed through internal generation of Rs 30 crore, and export oriented concessional interest and other term loans of about Rs 34 crore

CPL is the largest manufacturer and exporter of I V fluids in India and one of the largest in Asia The expansion cum diversification project is expected to increase CPL's capacity of I V fluids by four times to 17 50 crore units/year and the small volume parenterals capacity by three times from 6 crore units/year to 18 crore units/year At the same time CPL will have a large production base of about 7 crore units/year of sterile disposable hospital products The first phase of the project has already gone into production and CPL's capacity of I V fluids has gone up from 4 crore units year to 6 crore units/year The second phase involving three times increase in production capacity of small volume parenterals from 6 crore ampoules year to 18 crore ampoules/year is also in the final stages of completion The third and final phase is likely to go into production thereafter

ICICI which have appraised the CPL's project and are also lead managers, have estimated that its total income and net profit after tax are likely to be Rs 207 crore and Rs 63 crore respectively after completion of the project They have further estimated that on an enhanced equity of Rs 20 33 crore its EPS is likely to work out to Rs 31

Between 1989 and 1993 CPL's sales increased 19 times from Rs 2 47 crore to Rs 45 37 crore, net profits increased 80 times from Rs 0 11 crore to Rs 9 crore and there has been 20 fold increase in reserves and surplus from Rs 0 36 crore to Rs 13 25 crore, gross block increased from Rs 4 25 crore to Rs 71 36 crore, with the asset base going up by 11 times, with a compound growth rate of 100 per cent CPL has declared two consecutive 1 1 bonus during 1990-91 and 1991 92, and has been able to maintain an EPS of more than Rs 20 on the increased capital on *pro rata* basis For the year 1992-93, CPL has declared a profit after tax of Rs 9 crore and a dividend of 40 per cent

Cat on a Hot Tin Roof

Arun Ghosh

The country must witness its economic independence slowly but surely eroded in the next three years given to the Narasimha Rao government because the opposition is confused and lacks conviction that India should really be charting a course of action other than the one being relentlessly pushed through by the minority government.

COME the summer months, a strange languor descends on Delhi. Parliamentarians are anxious to see the end of a long budget session, and the debate lacks both fire and preparation. In any case, the budget this year was not supposed to be discussed in parliament; we have opted for a committee-style functioning of parliament (much like the US Senate) without adequate preparation, and without any staff support to the numerous committees set up to go into the working of different departments/ministries of the union government. The days of incisive debate—with people like the late Jyotirmoy Bosu studying papers, probing into nicely hidden secrets, and asking searching questions—are over.

Of course, part of the ennui is the direct result of the desire of *all* political parties not to topple the government. You are opposed to government policies, you are opposed to many of the types of action taken in the budget, but you are also clear in your mind that the government should not suffer a defeat in the house. Obviously, the debate then lacks conviction. You move a cut motion; and you—as also the treasury benches—know that a large part of the opposition would absent itself from the house at the time of voting. That this would happen is well known even to rank outsiders. In such a situation, the treasury benches cannot be blamed if they get cheeky and cocksure of themselves. All they need to do is to listen politely, and then go on doing whatever they are ordered to do by Washington, DC.

Come the end of May, the lucky ones—politicians and bureaucrats alike—have important business in London, Paris, Geneva, Washington, DC, or may be Tokyo, where the weather is more bracing at this time of the year. The less lucky ones can find seminars to attend in Ooty or Shimla or perhaps Pachmarhi. The citizens of Delhi can brave the heat, and face both massive power breakdowns and perennial shortage of water. But why complain of dry taps in Delhi? In most parts of the country there are no taps; there is a long trudge to fetch drinking water from wells a kilometre or may be two or three kilometres away

No Policy

All this is part of the game; but what is inexplicable is the development of a 'weariness' of the opposition parties. And why is there this weariness? The reason is simply that the opposition is confused; it has no consistent policy; it lacks conviction that India should really be charting a course of action other than the one being relentlessly pushed through by the Narasimha Rao government.

Let us analyse the situation. The opposition has *three* major groups: the BJP, the Janata Dal (and its break-away factions) and the Left Front. The BJP, with financial support from the trading community, is basically happy with both the economic policies of the present government and the manner of handling of social issues (including the festering Babri masjid-Ram Janmabhoomi dispute). Narasimha Rao's policy of inaction, his determination to 'let the lapse of time resolve all issues', suits the BJP very nicely. After all, the masjid structure has now been levelled to the ground; and all manner of 'yagnas' are being organised by unholy, government-backed 'godmen'. Time seems to be tilting in favour of the BJP; with the lapse of time, a temple for 'Ram Lalla' *would* get built in the Babri masjid area; and all the secularist forces would be watching in dismay, unable to do anything other than organise protest meetings, which would be broken up and the leaders hauled off to jail in the interest of 'law and order', same as B D Sharma in Bastar and Medha Patkar in the Narmada Valley.

What about the Janata Dal? If ever there was a confused leadership in any organisation, you have to take a look at the Janata Dal. The acknowledged leader, V P Singh, and the leader of the break-away party, Ajit Singh, have no objection basically to the economic policies of the present government. After all, V P Singh was prime minister and Ajit Singh industry minister when the then government suddenly tabled in parliament without any preparation, a policy statement to allow free inflow of foreign capital into selected industries, the list of the industries being proposed to be tabled later. It is a different matter that an attack from within the party by Chandra Shekhar led to no further action being taken on this issue then. The brief point is that the Janata Dal has no specific agenda as of now; its main agenda (during the 1989 elections) regarding the 'right to work' was given up in favour of gimmicks like waivers of *all* farm loans up to Rs 10,000—to *all* farmers, courtesy Devi Lal—which the then Planning Commission had strenuously opposed, suggesting that the funds could be better spent for local area development, through the implementation of the 'right to work' programme, guaranteeing every adult citizen eight hours of physical work every day at the minimum wage (provided a fortnight's notice was given to the local authorities of the availability of such labour and its duration), and the labour utilised for local works calculated to improve the moisture retention capacity of the soil in some 100 million hectares of 'degraded' land in the country today.

We are left with the Left Front which is today confused because of the collapse of the Soviet Union and the sharp 90 degree turn—we need to note it is *not* a 180 degree turn—taken by Deng Xiaoping in China. In any case, the Left Front on its own cannot topple the government; it needs all the opposition parties to be determined to go to polls for a fresh mandate from the people, on a specific agenda. And, as stated earlier, the parties are unclear about their economic agenda. The BJP has a limited agenda, to somehow build a bigger base for itself around Hindu fundamentalism; the Janata Dal has *no* agenda; and the Left Front is confused.

Economic Scenario

Meanwhile, what is the scenario on the economic front? Fortunately for the common man (and luckily for the government), the 1992-93 monsoon was again favourable, we reaped a bumper harvest and foodgrain stocks with the public distribution system are plentiful. The prices of foodgrains, oilseeds and fibres have come down, thereby pushing down the annual (point-to-point) rate of increase in the index of wholesale prices to between 6 and 7 per cent. (That, with such a bumper harvest, prices have still gone up, because of the inept fiscal policy of the government, appears to have been lost sight of, in the euphoria over the reduction in the rate of inflation.) And now, again happily for the common man, the 1993 monsoon promises once more to be good, *for the sixth year in succession.*

It speaks volumes of the mismanagement of economic policies that with six years of consecutive good monsoons—

something of a record in the meteorological history of India—and with 66 per cent of the workforce engaged in agriculture (as per the 1991 Census), we still face an economic crisis in the country, with inflation, with a horrendous balance of payments situation, with dwindling employment opportunities, and with increasing corruption in every walk of life. It also speaks volumes for the present policies of the government that there is a steady (and inexorable) thrust for privatisation of public enterprises, even as the private sector's management ability is shown up in the recent TISCO brawl, with the most outstanding manager in the person of Rusi Mody systematically running down the company he has served for 53 years; and even as the rapacity of private financiers is revealed, layer after layer, much like an onion, in the bank-cum-stock exchange scam (which has left the major commercial banks and other financial institutions facing a loss of more than Rs 5,000 crore of depositors' money).

But we seem to learn no lessons, we seem to be totally deaf to reason. Not surprisingly, because the opposition has conclusively demonstrated its unwillingness to bring down the government, no matter what new scandals are unearthed, no matter what depths of ineptitude—or servility to our new masters in the World Bank and the IMF—are revealed. For a change, India lacks a government. The present 'bunch of jokers'—to use a phrase used by the late Rajiv Gandhi in another connection—does not constitute a government, it is a coterie of *compradors* to international finance capital.

Obliging Fly

Two recent issues of *The Economic Times* (New Delhi, June 8 and 9, 1993) carry two news items of grave importance. The first headline (of June 8) says 'India to adopt patents on drugs, says [commerce secretary] Ganesan'. It was known, it was predictable. More than 200 members of parliament had signed a petition to the prime minister in 1992, opposing the Dunkel proposals on GATT reform, demanding a joint parliamentary committee to discuss the proposals, and protesting against the slow capitulation by India to the demands of international finance capital on the issue of Intellectual Property Rights. India has always opposed product patents. And, in the matter of the patenting of seeds, Balram Jakhar announced in parliament—amidst cheers—that India would never surrender on this issue.

Well, the parliament session is over, and Balram Jakhar promised nothing on drug patents. India has already been taken over by multinationals, through deliberate encouragement of overspending in the 80s, through clever financing of India's balance of payments deficits through short-term credits. 'Come into my parlour' said the spider to the fly; and the fly cheerfully obliged, in the midst of tremendous euphoria in the country of a more than 5 per cent rate of growth of GDP in the second half of the 80s. And, since our trade deficit continues (even after two years of 'stabilisation policy'), since we are under constant threat of the flight of short-term capital, with the danger of default on external payments obligations looming large, we have to agree to everything that international finance capital demands. Does it matter, after all, if a life saving drug costing Re 1 today were to cost Rs 15 by 1995? Those who can afford to pay will use the drug and live; what does it matter if some of the poor people in this overpopulated country were to be carried off by a curable disease? Do we not hear the argument in every drawing room that the poor in this country breed like rabbits?

Mark the occasion—parliament is in recess—and mark the person making the announcement, the official negotiating the Dunkel proposals. We have to do as we are told, the decision is being taken by people sitting in Washington, DC, and not by the elected representatives of the people.

And now the second bit of news (in *The Economic Times* of June 9: 'Autonomous agency for PSU disinvestment recommended', (by the Rangarajan committee) says the front-page headline. Well, did not the World Bank recommend the same thing? Why should the government bother about such mundane details as which public sector enterprise should be asked to disinvest or how much or at what (throwaway) price the equity is to be sold to the private sector? The government should: (a) tax the rich less and (b) balance the budget through the sale of the equity of public enterprises. How else do multinationals grab such enterprises as IOC, ONGC (which is being specially converted into a company, to enable its privatisation), BHEL, HMT, NALCO, HZL and, in fact, a host of other crucial (and highly profitable) enterprises? These enterprises are *not* being privatised to make them more efficient; they are being privatised to reduce the government budget deficit. And what better way than to find a complaint, yet sharp person to head the new 'autonomous agency'. A pity, V Krishnamurthy is no longer an acceptable name; but it should not be difficult to find any number of others who could play the same role.

The JPC, investigating the bank-cum-stock exchange scam, is not authorised to look into the mini-scam concerning the earlier sales of PSU shares. One can rest assured, parliament will not be consulted, parliament will merely be told these matters are to be decided by an *independent, autonomous* body. How autonomous, and how independent, are questions that should not be asked.

Trapped

Members of parliament who do not agree with many of the present economic policies of the government—including many members of the ruling party—but who yet do not wish to topple the government are in an uncomfortable position. Is it that they feel trapped like a cat on a hot tin roof?

It is hot up there. But it could be hotter if they jumped down to a waiting dog—in the shape of the electorate—ready to jump at the cat's throat. Better to stay up on the hot tin roof as long as possible, for who knows, the electorate may have different ideas about who should represent them, if fresh elections were to be ordered.

So the country must witness its economic independence, its prize assets, slowly (but surely) eroded in the next three years given to the Narasimha Rao government, because the opposition—much like the prince of Denmark—is unable to make up its mind: Do we, don't we topple the minority government?

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Simplistic Approach to Health Policy Analysis

World Bank Team on Indian Health Sector

Debabar Banerji

A World Bank report on the health sector has set out to offer an alternative policy framework to cushion the impact of structural adjustment programmes on health services But by choosing health financing as a tool for policy analysis it has arrived at highly questionable conclusions

THE secretive World Bank Report *India Health Sector Financing*, has been widely commented upon in the national press A World Bank team paid a five week visit in March April last and claimed that the analysis and the policy outcomes were generally endorsed by senior health sector personnel in India (p 3) Indeed, based on a 'vigorous' discussion at a meeting of 'India's most eminent health policy researchers chaired by the Secretary of Health" the team claims that the report in many ways is a joint statement of the two sides (p 3) It is worthy of note that a substantial majority of those who attended the meeting were not even acquainted with some of the basic literature concerning growth and development of public health practice in India, not to speak of health policy research with its political, administrative, technological, epidemiological and sociological dimensions That might be the reason why the distinguished participants of the meeting failed to note that health financing is a part of the wider academic field of health economics, which in turn forms only one component of health systems research for developing effective public health practices under given conditions Health economics has interest, among others, in the complex questions of identifying more effective uses of given resources A health service system is a complex entity, where a large number of variables, derived from a large number of disciplines, are in complex interaction with one another The interaction determines the output of the system This output needs to be optimised, using the methodologies of operational research and systems analysis In this sense, research in health economics becomes a component of the even larger field of health systems research Optimisation of complex systems in order to get the maximum returns from a given quantum of resources thus becomes the corner stone of research in public health practice and health policy research [Banerji 1985 362 64] For instance, in considering a programme for containment of malaria in India, it is important to ensure that adequate inter disciplinary research has been carried out to have the optimal solution of the problem The question of financing comes after the problem of optimisation of the system is attended to There is, indeed, a likelihood that the current approach adopted for malaria control is not cost effective [Banerji 1985 142 44] In such an eventuality, clamour for a mere increase in the funding of the malaria programme may result in increase of waste of resources Health human-power development, National AIDS Control Programme, the health service system, as a whole or in the form of its components (e g, hospitals, medical colleges or PHCs), are other examples of systems that need optimisation, before the question of financing is considered The heading on page 13 of the report, 'Enhancement of Efficiency through Redirection of Funds is a good example of the narrow and obviously distorted approach adopted in the report as if lack of redirection of funds is the only cause of inefficiency The focus on health financing, to the exclusion of the wider issues of optimisation has sharply distorted the problem analyses and the solution suggested by the World Bank team It has put the issues upside down

The team is expectedly simplistic in making policy analysis The report makes a sharp contrast with the National Health Policy of India (NHP) of 1982 [GOI 1982] It did not occur to the team to identify the factors which have come in the way of implementing the NHP over the past decade and more. In addition, apart from the numerous gaping holes in the analysis of epidemiological, technological and organisational and management issues that need to be considered for policy analysis, the team is deafeningly silent on the political and sociological dimensions of the analysis Is it because the team itself is a creature of international politics of the World Bank and the affluent countries that dominate it? How could the team ignore the wealth of literature available on politics of family planning, immunisation, health systems research and of course, the World Bank's own National AIDS Control Programme [see, for example, Banerji 1990a 1992a 1993]? There is moreover the politics of capitation fees in medical colleges which has led to the recent overthrow of the governments in Karnataka and Andhra Pradesh The savage 42 per cent cut in the malaria programme in the 1992 93 budget by the finance minister, and its restoration apparently at the insistence of the World Bank in 1993 94, provides yet another chilling instance of the way politics literally decides issues of life and death of a large number of people of this country

The Report

The main purpose of the report is to initiate dialogue between the government of India and the World Bank to clarify issues of direction and policy in the face of structural adjustment which will influence the pattern of co operation in the health sector for the next few years (p 3) The purpose is to ensure that budgetary constraints do not reduce the scale, equity, and quality of health services by encouraging health administrators to take difficult decisions The major concern ought to be to make reallocation of expenditures to achieve greater effectiveness in solving national health problems specially for the poor, who suffer disproportionately from poor health and high mortality

The most significant aspect of the health services is that it has undergone rapid expansion while it was receiving slowly declining share of public budgets for health in the 1970s, with a precipitous decline occurring in the 1980s The plan expenditure has steadily declined from 0 08 per cent of GDP to a low of 0 04 per cent in the revised 1991 92 budget This has caused, what the report says 'a double squeeze' The infrastructure stretches the existing budget very thin This has caused marked inefficiencies, which has made it almost ineffective Over and above came a sledgehammer approach to the budget cut to bring about structural adjustment The central health budget was slashed by

a massive 20 per cent in 1992-93, without even accounting for inflation—from Rs 302 crore in 1991-92 to Rs 244 crore in 1992-93. There was also a massive 30 per cent cut for rural drinking water and 40 per cent cut in rural sanitation. An across the board of cut of 20 per cent in all expenditure heads will obviously be a lacerating way of making the reduction. However, apparently to placate the rich, already privileged urban classes, there was indeed an increase of 13 per cent in the allocation for hospitals and dispensaries and, correspondingly, the malaria programme which caters to the large masses of the population of the country received a savage 42 per cent cut. In effect, there is some rise in expenditure towards programmes with what the report terms as 'relatively few externalities' at the expense of programmes with larger externalities and benefits to the poor.

The selected neglect of the health services which were of greater relevance to the poor has precipitated a serious crisis. The report quotes an NCAER survey of 1990 (p 9) to state that the poorest 40 per cent of rural households spend, on an average, Rs 157 per illness episode, when receiving care from government doctors and Rs 131 when purchasing care from private doctors. The richer 60 per cent of the population paid less for government doctors, Rs 137, and more for private doctors, Rs 215. A similar pattern was observed in the 42nd round of the NSS, completed in 1987. Thus, those who are least able to pay are bearing the heaviest burden when they go to a government doctor. The poignancy of this finding is underlined by another finding of the survey, which indicated that medical care cost is next only to dowry as a cause of rural indebtedness. This is a shocking situation in itself. However, more shocking is the utter callousness of the political leadership, both at the centre and in the states, which has created the present state of affairs. The draconian cuts in the budget is only one such episode in the long story of almost criminal neglect of the health services by the political leadership.

The report notes that public health financing in India is characterised by an emphasis on 'hospitals' (all institutions above community health centres (CHC)), rather than 'primary care' (all services from CHCs down), urban rather than rural populations; medical officers rather than paramedics (again with an urban bias); services that have larger private rather than social return; and family planning and child health to the exclusion of wider aspects of female health (p vi). The report maintains that structural adjustment can facilitate flexible, imaginative strategies and operational changes that will redirect public spending to ameliorate disparities and increase efficiency. It offers a chance for the health sector to emerge from the period of financial stringency stronger, more effective and better targeted. The current budget shows that the central government has missed the opportunity to raise spending on health and family welfare during adjustment as a part of the safety net (p 12). The report urgently calls for evolution of a positive policy before fiscally driven cuts, with little regard for the efficient functioning of the health service system, effect severe damage to the quality and equity of services that can be delivered. The report has presented an alternative policy framework (p viii): (a) expand spending on primary care and communicable disease programme; (b) redirect public resources to health activities with broad benefits to the nation as a whole; (c) improve efficiency and effectiveness of service delivery primarily through adequate blend of inputs, and (d) redouble efforts to address inter- and intra-state equity problems through the redistribution and targeting of public expenditure to raise the primary health care services to an acceptable minimum standard. It makes the interesting suggestion of making poverty levels as a basis for distribution of grants to states, rather than using the general population-based formula.

The team has defined some specific short-term health policy responses to the structural adjustment (pp xiii-xv): (a) Enhancement of efficiency through redistribution of funds; (b) Restoring cuts to the malaria and tuberculosis programmes; (c) Increased spending on communicable disease control; (d) Increase selective spending on non-salary inputs for what the report calls 'primary health care services'; (e) Develop a health economics unit in the department of health; and (f) Begin policy development for increasing cost recovery in hospitals and medical education.

Precisely because the team has provided quite a convincing argument for a re-evaluation of the health services, for the reasons mentioned earlier, the recommendations come as an anti-climax. They amount to a prescription for a vivisection of the health services so painstakingly built and nurtured over more than six decades.

India's health policy is rooted in the vision of a new India during the anti-colonial freedom movement [Banerji 1985: 13-24]. It was articulated in the report of the National Health Sub-Committee of the National Planning Committee (1948) and the Bhore Committee [GOI 1946]. Despite severe resource constraints and colossal dimensions of the health problems, after independence the country launched the very ambitious programme of setting up primary health centres as an integral component of the broader community development programme. At around the same time, a massive health manpower development drive was launched, which also included social orientation of education and training of physicians and other categories of health workers. In 1977, there was the programme to entrust 'people's health in people's hands'. Later, there was the programme of rapid expansion of the infrastructure with PHCs and its sub-centres and CHCs [Banerji 1990b: 37-42]. Data have been collected by the team to demonstrate vividly how this rich heritage has been frittered away due to unpardonable acts of omissions and commissions of the political leadership and the bureaucracy of the country. Nevertheless, it should be realised that the health services is a live, organic entity, despite its many serious problems. The remedy does not lie in the vivisection of this organic entity. The 'hospitals' (from above CHC level right up to the super-sophisticated ones and the medical colleges) are integral parts of this organic structure. Hypothetically, even if they are dissected away from the main body and are conceived as autonomous bodies, making 20 per cent cost recovery, it will also mean laceration of the entire health service workforce. Further, where will the poor, who form the overwhelming majority of the patients, go? What about the urban poor? What will happen to community health activities of the hospitals—family planning, referral support to PHCs, immunisation, social paediatrics, education and training of health workers, and so forth?

The team is similarly vague and equivocal about strengthening of what it calls 'primary care' institutions and communicable diseases programmes. This is reflected indirectly in the team's confusion in the use of the term 'primary care' with the concept of primary health care of the Alma-Ata Declaration [WHO 1978] and primary health centre of the Bhore Committee. Besides, what will happen to the World Bank's own National AIDS Control Programme on the UNICEF's Universal Programme of Immunisation and the Polio Plus Programme, which have all been shown to be not cost-effective [Banerji 1990a, Gupta and Murali 1989]? Then, over and above, is the critical question of optimisation of other programmes and institutions.

Other Conceptual Gaps

The team had done commendable work in mobilising data on different aspects of health financing and develop insights concerning the three important areas of efficiency, equity and disparity. However, a number of issues concerning the study of

financing have been raised earlier which call into question the basic policy recommendations made by the team. It is contended that such an analysis of health financing ought to have been associated with wider analyses of the health service system and its numerous sub-systems, sub-sub-systems, and so on. This required a much wider inter-disciplinary scholastic base for optimising systems of different sizes and complexities. Due to excessive preoccupation with aspects of financing, the team has missed discussion of some of the key variables within the health service system, which have profound policy implications. Some of these are briefly mentioned below:

(1) *Social Dimensions of Health and Health Services:* India has been a pioneering country in promoting social science studies in health fields as an integral component of inter-disciplinary efforts for health service development [Banerji 1993]. That is why it is all the more striking that the team should have ignored this very critical input in health policy research. The Alma-Ata Declaration on primary health care is also anchored on social science considerations, increasing community self-reliance through increasing their own coping capacity in health field, social orientation of technology and intersectoral action in health. The concept of community-felt need, developed on the basis of imparting sociological dimensions to the epidemiological parameters of health problems, is yet another important area of interest for study of health policy [Banerji 1993].

There is, moreover, the important concept of interaction of health behaviour with access of services of various kinds and of cultural meaning and perception of health problems in a community. These ideas are of particular importance as the team has laid so much of stress on equity and disparity. Indeed, the team has paid attention to the NCAER and NSS studies, showing how tragic it is for those who are poor to pay higher amounts for the same services in government institutions than the rich and how often the loans taken for meeting such catastrophies become a major burden on them in the form of debts incurred. Social analysis of India's experiences of the community health worker scheme ought to have raised important issues concerning rural power structure [Banerji 1985: 306-16].

(2) *Centralisation and Decentralisation:* Closely connected with the social science dimensions, including the issue of community participation and the nature of power structure in rural populations, is the desirability or otherwise of decentralisation in administration of health serivces. This acquires even greater significance in view of the recent constitutional changes. This opens up exciting possibilities of bringing the health services nearer to the people by making suitable policy changes. However, the team finds itself in the opposite camp. Throughout the report, its recommendations lean heavily on a strong centre which can serve as a conduit for bringing about the changes desired by it (see, for example, p xvii of the report). There then is a clear political issue: should the World Bank's interest in strengthening the leverage capacity of the centre receive precedence over the dictates of the national parliament and of the Constitution?

(3) *Regional Variation:* The team is seized of the serious nature of regional variation in health service development. It also advocates allocation of support on the basis of poverty, an issue which has also been discussed in the National Development Council. However, one misses a more detailed policy frame for reducing the disparity, based on actions already initiated.

(4) *Inadequate Public Health Inputs:* As a result of the preoccupation of the team with financial aspects, it has almost totally omitted some key considerations related to public health practice. Interestingly, if the team had used an epidemiological approach to community diagnosis and solution to a community health problem, the concept of natural history of a disease in an individual would have almost logically led it to the identification of the strategic points in the natural history where intervention in the form of an optimised package of programmes would have yielded the maximum returns from a given investment. This would have been particularly relevant because of the team's deep concern about communicable diseases and about women's health.

(5) *The National Health Policy of 1982:* This important document has received virtually no attention in the report. This is surprising, because an analysis of the factors which came in the way of its implementation would have provided valuable leads to the team. The NHP strongly endorsed the principles embodied in the Alma-Ata Declaration, including the key issues of community self-reliance and decentralisation of health administration to promote it. An interesting point stressed in the document was to "bridge the cultural gap that exists between the providers of the health services and the community".

(6) *Management of Health Services:* This is by far the most critical, because the managers and their political leaders are key elements in policy formulation and its implementation. Even though the team's Indian contacts were predominantly secretaries, commissioners and joint secretaries at the centre and in the states, it did not strike them that most of them ed the public health competence needed for policy research, because as generalist administrators, their posting in a health ministry is a mere episode in their long career span, which takes them to many other ministries. So, they cannot be held accountable either. The team does not seem to be aware that some 15 years back India had a competent cadre of public health physicians, with long experience in policy formulation and public health practice. This heritage is now lost. Along with the domination of the generalist administrators, there are many key public health positions at the centre and in the states which are filled by physicians who do not have the needed qualifications and training [Banerji 1990b: 91-99]. One reason for the present crisis among the physician-administrators is the nature of the cadre structure, which does not have a clear-cut career plan for the making of physicians who have the managerial, epidemiological, sociological and political competence (managerial physicians) to effectively deal with questions of health policies and programmes. Besides, the relatively 'inferior' positions given to even top technical persons in comparison with the generalist administrators of corresponding seniority has its deleterious impact on the morale of the health workers [Banerji 1990b: 143-50].

The responsibility for the present state of affairs rests squarely on the political leadership, because all the decisions which have precipitated the present crisis were taken with their active consent [Banerji 1990b: 143-50]. The macabre slashing of funds in the 1992-93 budget is an example. Here the finance minister acts even holier than the pope. The donor agencies asked for a pound of flesh as a price for their 'help'; the finance minister insisted on giving them two pounds of flesh! While pampering the rich by making massive reductions in excise and customs duties, the finance minister did not show any mercy for the poor. He allowed them a free fall, steadfastly refusing the offer of a safety net by the kind-hearted donors (p xii)!

(7) *Impact of the Family Planning Programme:* The team has not done justice to the analysis of the damage done to the infrastructure of the health services as a result of according the highest priority to the target-oriented, time-bound family planning programme. Ironically, the damage was maximum in the regions where the infrastructure was weak.

(8) *Consequences of Imposition of Internationally Sponsored Health Programmes:* The Universal Immunisation Programme sponsored by the UNICEF, the WHO and other international and bilateral agencies was brought in as another target-oriented, high priority pro-

gramme. As in the case of family planning, it further pushed down other rural health programmes in the order of priority [Banerji 1990a] Tragically, the programme was very poorly designed, but the Indian health administrators were in no position to recognise this Worse still, even when a review [Gupta and Murali 1989] showed conclusively that it had miserably failed in attaining the objectives set for it, the programme was pursued nevertheless and claims continued to be made about its remarkable 'achievements' [Banerji 1992a] The National AIDS Control Programme promoted by the World Bank also suffers from a number of infirmities [Banerji 1992a] It is still being pushed nevertheless These are glaring instances of how international politics works in a country like India Is the current World Bank team a harbinger of yet another international initiative? The loan intoxicated finance minister has again welcomed such an initiative with open arms This is another facade to obscure the plight of the wretched poor

Taking into account the crisis generated by structural adjustment the World Bank team has set out to offer an alternative policy frame to cushion its impact on the health services By making it more efficient and equitous the team attempts to convert the crisis into an opportunity However, by choosing health financing a a tool for policy analysis, it has arrived at highly questionable conclusions Health financing is one component of health economics, which, in turn, is a component of the wider field of health systems research which is based on inter disciplinary studies to optimise the highly complex health service system or its smaller components This 'upside down' study has led the team to advocate a lacerating vivisection of a live organisation which has been so painstakingly nurtured and build up over more than six decades An astonishing feature of the report is that it does not take into consideration the powerful political and socio-economic forces which are critical for conducting a policy analysis Other critical inputs for health service developments, such as social science inputs epidemiological analysis, public health competence of the key decision makers in India, the damage caused to the health services by imposition of vertical programmes like the target oriented time bound family planning programme and Universal Programme of Immunisation are missing The team calls for still greater centralisation of health service at a time when the country has opted for a major programme of decentralised administration This is not a policy alternative the country can look forward to

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The application, together with curriculum vitae, for consideration of the Search Committee constituted for the purpose, may be sent to Shri S D Rajhansa, General Manager, National Bank for Agriculture and Rural Development, Sterling Centre P B No 6552, Dr A B Road, Worli, Bombay 400 018, latest by 31 July, 1993

Agricultural Labourers in Eastern UP

Kripa Shankar

A small survey of agricultural labour households in three villages of eastern UP throws interesting light on their levels and sources of income, consumption and indebtedness.

THERE was a time when the womenfolk of agricultural labour households in eastern UP used to collect the undigested corn from the excreta of bullocks which got ample opportunity to eat the sheaf while moving round the harvested crop during threshing. The undigested corn would be separated from the dung after churning it in water. The grain would be dried and then converted into flour after grinding. Bread prepared out of it was called 'gobarha' as it was prepared from corn separated from dung or 'gobar' in Hindi. It was this bread which was shown in parliament by Vishwanath Gahanari, the then MP from Ghazipur in 1960 while narrating the poverty of eastern UP. Parliament was stunned and a committee, known as Patel Committee, was later on constituted to report on the backwardness of the region

In colonial days agricultural labour households were wholly dependent on the landowning households for survival As agricultural productivity was very low, peasant households also faced grim poverty and the agricultural labourers' plight was beyond description. Semi-starvation conditions prevailed throughout the year, save a few weeks after the harvesting season. They were subjected to all types of exploitation and were forced to perform 'begar', i e, forced labour, by the zamindars. In the lean season of August and December they literally starved. Some of the famous stories of Premchand like 'Kafan', 'Pus Ki Raat', etc, depict the abysmal poverty and degradation of agricultural labourers.

Investment in agriculture, more so after the advent of the green revolution, has resulted in growth of agricultural production and productivity. Labour absorption has increased in the wake of greater cropping intensity and production. Some diversification, howsoever halting, also occurred and later on migration to more prosperous regions also began. Growth of urbanisation has exerted a pull effect and the informal sector in urban areas has thrown up some work opportunities. Gone are the days of gobarha. The younger generation cannot even countenance the idea that hardly a generation back eating gobarha was the lot of their forefathers.

The absolute dependence of such households on landowners is now virtually a thing of the past. Brick kilns now dot the countryside, especially along the all-weather roads, and have come as a succour to the agricultural labourers. Construction activities and rickshaw pulling in cities have come handy and now in the bigger cities one can find several places where labour markets are held daily—in the morning labourers from villages congregate and those who want to engage them for the day come and engage them. The old patron-client relationship has broken.

Spread of education and the electoral process have increased awareness A sort of sanskritisation also gripped the labour households just after independence. In order to get social acceptance and to get away with the stigma of being untouchable, the Scheduled Castes, particularly the chamars who form the biggest chunk among the Scheduled Castes in this region, have given up carrying and skinning dead animals, although this has not only meant an economic loss but also they had to face the wrath of the high castes. They have likewise given up eating carcass meat which was considered detestable by high caste Hindus. Their womenfolk have also given up the work of midwifery which also was considered degrading by the high castes. A few even turned 'bhakt', i e, devotees of god, who shun meat and drink and wear the sacred thread and follow brahminical rituals. But the caste Hindus have failed to respond. They treat them as untouchables and have a grudge that the government is favouring them. Previously government jobs would go only to the higher castes among the Hindus. Now reservation in jobs for Scheduled Castes has become an eye-sore to them. The Scheduled Castes were the chattel of the high castes only a generation or so back. That they are no more directly dependent on them is what pricks the high castes the most and if possible they would like to teach them a lesson even without any provocation, as is borne out by some of the recent cases of atrocities against the Scheduled Castes.

The educated among the Scheduled Castes are now naturally more aware and are no longer prepared to suffer indignities. They have broken ideologically from the Congress which they find is led by the upper castes and is *status quo*ist. When they switched over to Kansi Ram, they took the entire community with them. This has made Kansi Ram a force to reckon with, although he has no radical programme. The meteoric rise of Kansi Ram can be explained by the coming into being of a more educated generation among the Scheduled Castes which wants greater opportunities for advancement and which has succeeded in bringing the community with it.

We conducted a small survey of agricultural labour households in three villages of eastern UP which lie in the central Gangetic plain One of our investigators belongs to eastern UP and hails from the chamar community. It was decided that he should survey three villages in his own area with which he is familiar and consequently can evoke a more accurate response. The reference year is 1991-92. The sample covered all agricultural labourer households in the three villages. Such households numbered 50. There were 21 households which were landless and the remaining 29 had some land. Twenty-seven among them were allottees of Gram Samaj (GS) land which had been distributed to them in the 70s. The landowning households owned 14.26 ha of land. Thus the average size of their

TABLE 1: ANNUAL DAYS OF EMPLOYMENT PER WORKER

Category	Days of Wage Employment			Self-Employment	Total
	Agriculture	Non-Agriculture	Total		
1	2	3	4	5	6
Landless	60.98	47.89	108.87	—	108.87
	(56.01)	(43.99)	(100.00)		(100.00)
Owning land	36.68	35.87	72.55	9.18	81.73
	(44.88)	(43.89)	(88.77)	(11.23)	(100.00)
Total	46.36	40.66	87.02	5.52	92.54
	(50.09)	(43.94)	(94.03)	(5.97)	(100.00)

Figures in parentheses are percentages.

holding was roughly 0.5 ha. The per capita land among such households was 0.1 ha only Irrigated land accounted for 7 21 ha or 51 per cent of the total land None among them owned a pumping set They had largely to depend on canal irrigation where water supply was erratic. In any case they could get water only after other farmer's fields were irrigated Water could also be had from private pumping sets The gross value of agricultural produce was Rs 3,115 There was only one tenant farmer among them who had leased in 0 48 ha of land His owned land was 0 11 ha Tenancy on the whole is on the decline in the region Lessors also prefer giving the land on lease to marginal or small farmers as the latter are better equipped and can put in the necessary inputs without depending on the lessors, although cost sharing in seed, irrigation and fertilisers on a 50 50 basis has come into vogue The produce including the by products is also shared in the same proportion

There were in all 68 male workers and 50 female workers Female workers formed 42 per cent of the workforce Participation rate of females is naturally higher in the poorer sections The total number of children among the 50 households was 96 in the age group of 6 14 Out of them only 13 were going to school

Days of employment per worker are shown in Table 1 It will be seen that landless found work for 60 98 days in agricultural and 47 89 days in non agricultural activities Thus they were employed for 108 87 days in a year Those owning land found work for 36.68 days in agriculture and 35 87 days in non-agricultural activities The days of self-employment was 9 18 in their case. Thus they were employed for 81 73 days in a year For all the households taken together wage employment was 46 36 days in agriculture, 40 66 days in non-agriculture and 5 52 days in self employment Thus the total number of days of employment in a year was 92 54 per worker Agricultural wage employment accounted for half of the days of employment

Wage rates have risen over time but it has been not through any struggle of the workers as such, but employers feel that if they do not increase the wages by bits it will be difficult to find workers for agricultural operations The prevailing rate was Rs 15 for male workers for most of the agricultural operations like ploughing, weeding, irrigating, etc For harvesting the paddy or wheat crop the labourers get one thirteenth part of the harvested crop One bundle out of 13 is taken by the labourer But the landowners have a feeling that the labourers put in more of the harvested crop in the bundle which they take home as kind wages Threshing of wheat is now increasingly done by threshers Those who do not own one can get the crop threshed on rent The owners of the threshers take one thirteenth part of the threshed wheat as charge for threshing

The tendency to take work on contract appears to be increasing The usual complaint of landowners is that the workers do not put in adequate labour and the workers are sore that the wage rate is low In rice transplantation the contract system is emerging. This is also preferred by the labourers as all the members of the family would join in the work, try to finish it as quickly as possible and then move on to another contract job

With the introduction of tractors, tilling by tractors is replacing the traditional bullock ploughing The current charges are Rs 60 per hour and farmers who cannot afford to keep a pair of bullocks go in for it This has affected labour use in agriculture However transplantation of paddy, harvesting, weeding, threshing of paddy, ploughing sowing, etc, are the main avenues of employment in agriculture

The old system of employing a regular agricultural labourer known as 'halwaha' has also practically disappeared There was only one such attached worker in the whole sample

Sources of Income

Table 2 shows the sources of income It will be seen that in the case of landless agricultural labourers wages within the village itself accounted for 44 per cent of their total income while agricultural wages in other villages accounted for 2 per cent Agricultural wages thus accounted for 36 per cent of income Non agricultural wages in own village accounted for 24 per cent of income The share of non agricultural wages in other villages small

Table 2 Sources of Income

(Rs)

Category	Income from Agriculture Including Livestock			Agricultural Wage			Non Agricultural Wage			
	Own Land	Leased Land	Total	In Own Village	In Other Village	Total	In Own Village	Other Village	Mofussil Town	City
1	2	3	4	5	6	7	8	9	10	11
Landless				35 295	2 250	37 45	25 045	3 000	6 000	8 900
				(34 15)	(2 18)	(36 33)	(24 23)	(2 90)	(5 80)	(8 61)
Owning Land	44 420	4 000	48 420	46 080		46 080	19 150		3,000	8 250
	(26 27)	(2 36)	(28 58)	(27 20)		(27 20)	(23 10)		(1 77)	(4 87)
Total	44 4 0	4 000	48 420	81 375	2 250	83 625	64 195	3 000	9 000	17 150
	(16 28)	(1 47)	(17 75)	(29 83)	(0 82)	(30 65)	(23 53)	(1 10)	(3 30)	(6 29)

Category	Non Agricultural Wage									
	Brick Kilns	Jawahar Rozgar Yojna	Masonry Work	Total	Total Wage Income	Shops and Business	IRD	Grand Total	Income per House hold	Per Capita Income
	12	13	14	15	16	17	18	19	20	21
Landless	7,470	900	14,500	65,815	1,03,360	–		1,03,360	4,921 90	1,216 00
	(7 23)	(0 87)	(14 03)	(63 62)	(100 00)			(100 00)		
Owning land	12,430	2,250	7,350	72,430	1,18,510	1,500	1 000	1,69,430	5,842 41	1 193 17
	(7 34)	(1 33)	(4 34)	(42 75)	(69 95)	(0 88)	(0 59)	(100 00)		
Total	19,900	3,150	21 850	1,38,245	2,21,870	1,500	1,000	2,72,790	5,455 80	1,201 72
	(7 29)	(1 16)	(8 01)	(50 68)	(81 33)	(0 55)	(0 37)	(100 00)		

Figures in parentheses are percentages

towns and cities was 3 per cent, 6 per cent and 9 per cent, respectively. Brick kilns accounted for 7 per cent and Jawahar Rozgar Yojana (JRY) for less than 1 per cent of income. Significantly, masonry work accounted for 14 per cent of income. Non-agricultural wages thus accounted for 64 per cent of total income. There was no beneficiary under the IRD among the landless households.

As regards those owning land, own agriculture accounted for 26 per cent of income while income from leased land accounted for 2 per cent. Agricultural wages within the village accounted for 27 per cent of income. Such households did not undertake any agricultural work outside their villages. Non-agricultural wages accounted for 43 per cent of income. Total income from wages thus formed 70 per cent of income of such households. Shop and IRD accounted for less than 2 per cent of income.

Taking all the households together it will be seen that agriculture proper accounted for 18 per cent of income while agricultural wages accounted for 31 per cent of income. Significantly the share of non-agricultural wages was 51 per cent

Distribution of Gram Samaj land has obviously benefited such households as about one-sixth of the income is derived from such land. It is quite revealing that agricultural wages account for 31 per cent of the income and the share of non-agricultural wages is more than 50 per cent. Quite significantly the share of non-agricultural wages within the village itself is nearly one-fourth of the total income and brick kilns and masonry work in the rural areas account for 15 per cent of the income. This conclusively shows that a process of diversification of the rural economy, howsoever slow, has set in which has helped the agricultural labourers to find job opportunities outside agriculture. It is worth noting that non-agricultural wages constituted 62 per cent of the total wage income of such households. Technically they are now no longer agricultural labourers as such as non-agricultural wages now form the bulk of their wage income. This shows that the age-old relationship of dependence and dominance in the villages has been ruptured even in this region which is characterised by poverty and landlessness.

Incidentally the study shows that government programmes for poverty alleviation and job creation are hardly making any impact. IRD accounted for 0.4 per cent of the income and the solitary beneficiary was not from the landless category but from the landowning category. Likewise the JRY accounted for 1 per cent of the income of such households. Only 70 man-days of work were created per village. Only 3 per cent of the JRY funds actually reached the unskilled labourers for whom it had been primarily meant. We also enquired regarding their access to the public distribution system. No household had received any item like grain, cloth or sugar during the year. Even kerosene was purchased by them in the black market. It was reported that kerosene is distributed to a few influential persons and the rest goes to the black market.

Per household asset was valued at Rs 16,876 and per household income was Rs 5,456. Bottom 8 per cent of the households had an average income of Rs 2,300 and another 40 per cent had an income of Rs 4,068. Only 4 per cent of the households had an average income of Rs 12,435 and can be said to be marginally above the poverty line. While the bottom decile accounted for 4.5 per cent of the income, the top decile accounted for 19 per cent. Per capita income was Rs 1,201 only.

Consumption

The poverty of the households was also reflected in their lower food intake. Table 3 shows the per capita per day food consumption and the calories derived from it. It will be seen that per capita consumption of cereals was 540 grams while that of pulses was 33 grams. Consumption of milk and milk products was 10 grams while that of edible oils and ghee was around 8 grams The per capita calorie derived from foodstuffs was 2,178.

The per capita monthly consumer expenditure is shown in Table 4. It will be seen that per capita monthly consumer expenditure on foodgrains was Rs 66 while on milk and milk products it was Re 1 only. Expenditure on fat and oil was Rs 5 and on vegetables the same was Rs 7. Per capita annual consumption of cloth was only three metres. Per capita monthly consumer expenditure on woollen cloth, footwear and medicine was Re 0.14, Re 0.38 and Rs 1.65 respectively. The total expenditure on food items was Rs 88 and on non-food items the monthly expenditure was Rs 12, bringing total consumer expenditure to Rs 100. Eighty-eight per cent of the expenditure was on food.

In 1987-88 rural poverty line in terms of per capita monthly expenditure was determined at Rs 131.80.[1] The consumer price index (base 1960-61) for agricultural labourer moved from 629 in 1987-88 to 958 in 1991-92. In other words the poverty line moved to a consumer expenditure of Rs 200 per month in 1991-92. Thus the sample households, on an average, had an expenditure of only half of what was required to cross the poverty line.

Table 3: Per Capita Daily Consumption of Foodstuffs

Item	Grams	Calories
1	2	3
Cereals	539.65	1861.42
Pulses	32.75	109.39
Milk and milk products	10.28	10.28
Oil and ghee	7.60	68.40
Leafy vegetables	26.28	10.51
Other vegetables	68.43	68.43
Meat, fish and egg	9.10	17.29
Fruits	0.73	0.29
Sugar and jaggery	7.20	27.36
Spices	1.20	3.60
Refreshment	0.15	0.75
Salt	5.07	—
Tea	0 12	—
Total		2177.72

Table 4 Per Capita Monthly Consumer Expenditure

(Rs)

	Land-less	Land-owning	All
1	2	3	4
Food Items			
Wheat flour and other substitutes	34 94	38.54	37.19
Rice	14 59	21.58	18.96
Pulses	8 62	10 42	9.82
Milk and milk products	1.18	0.99	1.06
Oil and ghee	5 44	5.14	5.25
Leafy vegetables	1.98	3.70	3.11
Meat, fish and egg	2.82	7.04	5.46
Fruits	0.05	0.11	0.09
Sugar, jaggery	1.06	1.09	1.08
Spices	1.53	1.39	1.44
Refreshment	0 12	0.07	0.09
Salt	0.15	0.15	0.15
Tea	0.06	0.25	0.18
Total food	74.64	95.99	87.99
Non-Food Items			
Pan, tobacco, biri, surti intoxicant	0.32	0.31	0.32
Cloth	4.09	3.11	3.48
Woollen item	0.29	0.22	0.14
Footwear	0.44	0.34	0.38
Kerosene	0.72	0.65	0.67
Fuel	1.97	2.33	2.18
Education	0.10	0.26	0.20
Medicine	1.69	1.62	1.65
Entertainment	0.88	1.10	1.02
Soap	0.37	0.28	0.31
Cosmetics	0.09	0.14	0.12
Services	0.04	0.24	0.17
Consumer durables	1.79	1.47	1.59
Others	0.08	0.27	0.20
Total non-food	12.89	12.32	12.53
All items	87.53	108.31	100.52

INDEBTEDNESS

Table 5 shows the indebtedness of the households and the purpose for which debts were incurred Thirty six per cent of the households were indebted and the average debt per indebted household was Rs 580 Cultivators provided 64 per cent of the loans while relatives accounted for another 12 per cent Although there was only one household which had incurred a loan of Rs 2,500 under IRDP yet it accounted for about one fourth of the total outstanding debts The co operatives and banks had not advanced any loan to them Moneylenders were also conspicuous by their absence There was no professional moneylender in the villages

Marriage was the biggest cause of indebtedness as it accounted for 38 per cent of the debts (Table 6) Loans under IRDP accounted for 24 per cent of the debt Twelve per cent of the debt was incurred to meet day to day consumption needs Three per cent of debt was for purchase of cloth Significantly 47 per cent of the debt was incurred for productive purposes like purchase of animals and to run a small shop Forty three per cent of the debt was older than 10 years and the usual rate of interest on debts was in the range of 60 to 75 per cent per annum Interest rate would depend on the urgency of the borrower There was no laxity about it While the usual rate will be one anna a rupee per month i e 75 per cent per annum, it could go up to 120 per cent in exceptional cases Relatives usually do not charge any interest

We discussed with a number of better informed respondents as to what were their perception about increasing their income A regular salaried job was obviously their first preference but they were also conscious that it is not easy to get a job As a matter of fact, no one among the households had a regular job Surprisingly none asked for more radical land distribution programme Probably they knew that no government is going to do so although they knew what it means to have land

An overwhelmingly large majority among agricultural labour households consisted of chamars Pig rearing is taboo among them although they were aware that it was most profitable. If anyone takes to piggery he will be declared an outcaste. Even the better educated among them could not think of it to augment the income

Though not as abhorrent as piggery, yet keeping hens is also not liked by the community Only Muslims keep hens and the feeling is that Hindus should not keep hens in their houses The upper castes have strong revulsion against it and chamars too appear to be under their spell Those who are not against it point out to a particular difficulty If they keep hens they will go to the fields and harm the crop of landowners This will be resented by the latter and will not only embitter the relationship but sometimes even violence may be used against them And invariably they will be at the receiving end

But the stark reality of life prevents them from keeping small cattle like goats in adequate numbers which fetch high price and require no marketing as butchers roam the countryside to purchase them No common grazing ground or pastures is now left in the villages and the area under orchards and trees is also declining Goats can now only be reared if they are stall fed It not only requires space to keep them which may not be with many of such households but the bigger problem is purchasing the feed. Households which cannot feed themselves and their children cannot be expected to set apart cash to purchase animal feed whose price has also soared Even the very enterprising among them cannot get a loan from a co-operative society or bank to procure small cattle.[2] It is a sad commentary that when crores are being spent in the name of poverty alleviation and the credit flow to rural areas has increased, the poorest are completely out of its orbit Co operative societies have a provision to give consumption loans to the poor, but it is observed more in breach It appears that it will be more appropriate if IRD is restricted to the very poor population in the first instance, to provide them with small cattle like goats, hens, pigs, etc, along with some provision for their maintenance and feed, say, for a year.[3]

Notes

1 *Eighth Five Year Plan* Government of India Vol II p 27

The banks ask for a surety who can guarantee the loan and no one will come forward for it

3 Under IRD goats and hens are generally not given as it hardly caters to the poorest But bullocks are given but the poorest obviously cannot maintain them The ministry of rural development in its annual reports mentions the number of beneficiaries under IRD but does not give any break up of the assets that are provided Nor does it give the figures of amount realised from beneficiaries on the outstanding IRD loans

TABLE 6 REASON FOR INDEBTEDNESS

Category	Daily Consumption Need	Marriage	Purchase of Cloth	Purchase of Animal	Shop	Total
1	2	3	4	5	6	
Landless	1 200	2 000	200			3 400
	(35 30)	(58 82)	(5 88)			(100 00)
Owning land		2 000	100	3 900	1 000	7 000
		(28 57)	(1 43)	(55 71)	(14 29)	(100 00)
Total	1 200	4 000	300	3,900	1 000	10 400
	(11 54)	(38 46)	(2 88)	(37 50)	(9 62)	(100 00)

Figures in parentheses are percentages

TABLE 5 SOURCES OF INDEBTEDNESS

(Rs)

Category	No of House holds	Indebted House holds	As Percentage	Sources						Total
				Farmer	Money lender	Relative	Co operative	Commercial Bank	IRD	
1	2	3	4	5	6	7	8	9	10	11
Landless	21	4	19 05	3,200		200		—	—	3,400
				(94 12)		(5 98)				(100 00)
Owning land	29	14	48 38	3,500		1,000	—		2,500	7,000
				(50 00)		(14 29)			(35 71)	(100 00)
Total	50	18	36 00	6,700	-	1,200		-	2,500	10,400
				(64 42)		(11 54)			(24 04)	(100 00)

Figures in parentheses are percentages

Ideology Returns to the Campus

Krishna Chaitanya

The victory of the progressive All India Students Association in elections to student bodies in universities of Uttar Pradesh is significant because it marks the beginning of the crumbling of the Hindutva bastion on the campuses of the state.

THERE was a time when progressive ideologies of different hue reigned supreme in the colleges and universities of Uttar Pradesh. Students were known by the ideologies they represented and discussions on the finer elements of Gandhian, Socialist and Marxist ideologies could be heard in seminar rooms, canteens, common rooms, coffee houses, etc. Then came the heady days of the 'Naxalism' and the brightest of the brights on the campus, from colleges and universities, technical institutions like IIT and even medical colleges, were attracted towards the ideology. Many of them gave up their studies and went to work in the rural areas. Though heavy police crackdown crushed the movement the ideology continued to guide and inspire youth on the campus. The countrywide movement of the mid-70s against Congress's misrule was also led by students and youth.

The return of Congress(I) to power in 1980 however changed all that. The ascendancy of the lumpen brigade under the banner of the National Students Union of India (NSUI) during the Emergency got a fresh impetus with Sanjay Gandhi's return to the helm of affairs. As the Congress government began introducing ill-conceived economic reforms, employment opportunities shrank and economic disparities started widening rapidly, the decay of the universities as centres of academic excellence, character-building and ideological commitments began. As an uncertain future loomed large students' only concern became passing exams and seizing jobs. If the NSUI brought in lumpenisation on the campus, the reformist campaigns of the ABVP such as the demand for adherence to the calendar year, fair examinations, etc, also lead nowhere. The student leaders of the 1974 movement got absorbed in the system. The left's policy of tailing the Congress and other non-Congress formations on different occasions led to the erosion in the support commandeered by the left student bodies like the Student Federation of India (SFI) and the All-India Student Federation (AISF). And thus emerged a vacuum in student union politics. Casteisms, corruption and lumpenisation became firmly entrenched on the campus and ideology became a discredited thing as student politics became a plaything of the NSUI and the Akhil Bharatiya Vidyarthi Parishad (ABVP).

In this sordid atmosphere the overwhelming victory of the All India Students Association (AISA) in the elections to the students union to five universities of Uttar Pradesh has come as a breath of fresh air. The victory of this barely three-year old radical student organisation is nothing less than an act of trouncing the devil of 'neo-Hindutva' in its den since the 'neo-Hindutva' brigade after having achieved their devious plan of demolishing the Babri masjid has been treating UP as its strongest stronghold.

While the AISA candidates have won at Allahabad, Banaras and Kumaon University, candidates supported by Mulayam Singh Yadav's Samajwadi Party have won at Lucknow and Aligarh. And everywhere the BJP's student outfit ABVP has suffered humiliating defeats. What makes the crushing defeat of the ABVP significant is the fact that all these universities barring Aligarh were firm strongholds of ABVP. Only last year, the ABVP and the Congress-affiliated NSUI had secured significant victories.

At Allahabad University, the AISA presidential candidate Lal Bahadur Singh who topped the Secondary Examinations in 1978, had a landslide victory polling 2,340 votes beating his nearest Janata Dal rival by 575 votes. The ABVP candidate fared miserably ranking a poor fifth and polling just 127 votes. The ABVP could bag just one seat, that of joint secretary.

The miserable performance of the ABVP is significant since the bigwigs of neo-Hindutva brigade like the BJP chief Murli Manohar Joshi and VHP chief Ashok Singhal have close connections with the university—Joshi is a faculty member of the physics department and Singhal is a member of the university board. Besides the two, the former education minister in the BJP government in UP is also a faculty member of the university.

Moreover Singhal has been working overtime for the success of ABVP in the elections. Only last year the ABVP had wrested control of the union with its presidential candidate defeating Lal Bahadur Singh of AISA by a margin of 450 votes. On the strength of this win, Ojha defying all the traditions and norms of the university had invited VHP supremo Ashok Singhal to unfurl the national flag at the university on Republic Day, that too after the VHP in accordance with the countrywide ban on it had been kept out from the official guest of honour ceremony at the Republic Day celebrations.

For the student community at the university, already stunned at the events of December 6 and after, this proved the last straw. The AISA gave a call to oppose this move and on the morning of January 26 students spontaneously came out to preempt the official ceremony by unfurling the national flag themselves after a pitched battle with ABVP hoodlums. A humiliated Ashok Singhal had to be escorted to the campus under heavy security to address a handful of ABVP goons.

Equally significant is the AISA's victory at Banaras Hindu University (BHU). The neo-Hindutva brigade has always treated that BHU, where out of the 14,000 students just 90 belong to minority communities, was a place synonymous with the concept of a Hindu Rashtra. It was already projecting Banaras as the next target after Ayodhya. For the last 25 years it has been ABVP all the way in the university elections with NSUI occasionally chipping in. Events of December 6 and after however unmasked the ABVP and its political masters. On February 25, the CPI (ML-Liberation) organised a rally to oppose the neo-Hindutva brigade's devilish designs on the Gyanvapi mosque at Banaras. Thousands of students from BHU joined the rally led by the party general secretary Vinod Mishra, despite the district administration's ban on it and later courted arrest *en masse*.

Thus nobody was surprised when in the March 26 elections, none of the ABVP and NSUI candidates was elected to any of the union posts. AISA's presidential candidate Anand Pradhan scored a spectacular victory securing 2,300 votes and beating his nearest ABVP rival by a margin of over 2,000 votes. This was the first victory of a leftist candidate after 25 years. The vice-presidential post went to the SJP candidate Tarun Kumar Singh and that of general secretary to the independent candidate Sidhhartha Sekhar Singh. No ABVP and NSUI candidate was elected to any of the union posts.

Elections at the Kumaun University also followed a similar trend as the AISA candidates scored thumping victories over ABVP candidates. AISA's presidential candidate Girija Pathak won by a margin of 500 votes. Last year it was the ABVP which had defeated the AISA candidate.

In the elections at Lucknow and Aligarh universities, however, Mulayam Singh Yadav's Samajwadi Party-supported candidates won. Though Ashok Singhal himself campaigned for the ABVP at Lucknow University and even the Bajrang Dal's infamous chief Vinay Katiyar issued an ap-

peal to the students to vote in the name of Ram, the students rebuffed these communal fascist forces and elected candidates who stood for secular democracy

While the success of the leftist socialist forces in these university elections in itself may not have a significant bearing on the overall political scenario, it is nevertheless a positive development At a time when the forces representing Hindutva have spread their tentacles throughout northern and western India the crushing defeat of these forces in Uttar Pradesh signifies the changing mood of young people In any case, the rise of BJP to power in UP has been possible only because of the multi cornered contests and the consequent split in the anti BJP anti Congress(I) votes during the last elections

In recent times it has been the BJP brigade which has been dictating the terms of political discourse in the country around the theme of destruction of the Babri masjid at Ayodhya and the building of a Ram temple at the site The location of Ayodhya in UP and the rise of BJP to power had made the state particularly vulnerable to the BJP's devilish games The humiliating defeat of BJP supported candidates in the universities show the narrow base from which the forces representing Hindutva have been perpetrating their fascist assault on the foundations of the country's secular democratic polity The rise of the AISA in the eastern, central and hill areas of UP shows that the political line taken by the CPI (ML Liberation) and Indian People's Front (IPF) is gaining acceptability among the people throughout UP and it is not a force confined to Bihar only as some analysts would have us believe

And lastly, the success of the leftist and socialist forces in these elections show that ideology is making a comeback on the campus That if an alternative is properly projected before the students, they will definitely opt for it rather than for blind mandalisation or communal fascism And the alternative AISA did project well before the students

In a region where industrial growth is stunted, agricultural growth stagnant and consequently employment opportunities are shrinking, AISA's slogan, 'Danga nahi rozgar chahiye, jine ka adhikar chahiye' (we want employment not riots and the right to live) caught on with the students This together with the AISA's espousal of issues confronting the students from the wider ones like academic anarchy and vitiated campus atmosphere to micro issues like library and hostel problems, eve-teasing, etc—has made it popular among the students While supporting caste based reservations but emphasising that the real issue was not reservation but creation of employment opportunities which was not possible either under the present imperialists-dictated economic regime or the BJP's 'Hindu raj' which was the plank of the propertied classes to maintain the *status quo*, the AISA has been trying to provide a workable alternative to the student community

The success of the AISA has forged a move towards unity among the left From May 8 to 10, the AISA organised a Chhatra Yuva Mahakumbh in Allahabad University for all the students and youth organisations which are anti-BJP and anti-Congress so that they can fight from one plank As the CPI(ML) general secretary Vinod Mishra told *The Times of India*, "on May 10, 1857, the first independence movement was started This year we will launch the second independence movement against all that is ailing our country"

Privatisation in East European Countries

R G Gidadhubli
Rama Sampat Kumar

In east European countries privatisation is an important component of the process of transformation of socialist economies How successful has it been and what are the problems encountered?

PRIVATISATION has been an important component of the transition of the eastern block countries (the former Soviet Union and east European country) from socialism to market economies Poland has been in the forefront of major privatisation effort undertaken in the eastern Europe in the last few years In 1990 the coalition government in Hungary headed by the Democratic Forum envisaged that privatisation was to be the cornerstone of the radical economic and social transformation in this country where the process of privatisation had begun much earlier Czechoslovakia initiated a novel method of coupon privatisation in 1991 before the division of the country into Czech and Slovak republics Bulgaria and Romania have also undertaken privatisation programmes since 1991

Mikhail Gorbachev's policy of perestroika gave a major thrust for privatisation in east Europe when he officially announced that different forms of ownership could co exist under socialism thus denouncing the Stalinist interpretation of socialism But the actual process of privatisation gained momentum by 1989-90, when the (former) Soviet Union itself also took steps for the implementation of the policy on privatisation After concerted efforts to reform the economies during the last few years, the inflation rate has been brought down substantially, budgetary deficit has been below 5 6 per cent of GDP, external current account has been buoyant for most of the east European countries, foreign investment has been flowing in, real GDP growth though marginally negative is poised to become positive by 1993 All these factors have created favourable conditions for speeding up the privatisation programmes in the eastern Europe

There are multiple objectives for privatisation in the east European countries In ideological terms, privatisation serves the purpose of transfer of ownership rights from the state to individuals thus promoting transition from socialist to capitalist economy As a corollary to this systemic inefficiencies arising out of specifics of state ownership in the former socialist east European countries are expected to be eliminated through privatisation Apart from this privatisation is considered by these countries as a source of income through large scale sale of state property and assets In this sense the present supply of assets is unprecedented in the history Income is to be generated through privatisation not only from domestic sources and channels but also from abroad At the same time privatisation serves as an important objective for the former socialist countries in reducing government expenditure on maintaining state enterprises many of which were inefficient and were a drain on the state exchequer

In Poland 90 per cent of small-scale state owned enterprises (SOEs) have been privatised By June 1992 the number of SOEs privatised or liquidated reached 1 249 The traditional method of privatisation which included initial public offering and trade deals involving foreign investors accounted for 43 medium and large enterprises By June 1992, the number of joint stock companies or limited liabilities companies created through the commercialisation of SOEs numbered 286 The number of SOEs commercialised for the mass privatisation scheme were

178 Moreover, there were 600 privatisation proposals of medium size SOEs which were considered for lease to management and workers In spite of this, there are still 8,000 medium and large SOEs to be privatised Thus the original target set in 1990 by the Polish authorities to privatise half of the state assets within three years has not been fully reached

In the Czech republic by 1992 over 20,000 small business (40 per cent of retail trade) had been sold to private owners The government had expected to privatise 1,700 large SOEs (in the Czech territory) and out of this roughly 300 involved foreign buyers Having initiated and carrying out voucher privatisation in 1991 92, in the second wave of privatisation of approximately 3 500 SOEs are scheduled for privatisation (in both Czech and Slovak republics) So far they have managed to sell only 40 large scale firms to foreigners. About 2,800 medium and large scale SOEs for which no foreign investor expressed interest were folded into voucher schemes So far foreign capital investment has reached approximately $2 billion according to US advisors in the Czech ministry of privatisation and some $3 billion are reported to be in the pipeline

In Hungary the privatisation of small units mainly retail outlets is has already been undertaken in a big way The traditional privatisation efforts have worked well in Hungary as compared to other east European countries Moreover, some 80 per cent of the privatisation in the last couple of years has been accomplished through sales to foreigners But observers doubt whether the pace can be maintained since many of the most profitable enterprises have already been privatised In 1992, Hungary privatised 12 per cent of the state assets (from a pool of 2,000 medium and large scale SOEs) According to Tibor Pongracz, the state secretary for privatisation Hungary has made substantial progress towards privatisation

In Rumania 50 per cent of the state owned housing has been sold at nominal costs to its residents But even as recently as mid 1992 the government was not planning to auction off small scale shops and service outlets In Bulgaria, small scale privatisation had not yet taken off by mid 1992 as they were still in the rudimentary stages of establishing institutions mandated by the new privatisation legislation

Models of Privatisation

There are various models of privatisation which are being experimented and implemented in the east European countries

The traditional model is the sale of productive assets owned by the state to the private sector, the main stress being the receipts to the government This approach works best in economies with an overwhelmingly predominant private sector as in the UK and where the privatisation process is not viewed primarily as a means to introduce micro economic efficiency into the bulk of the economy Among the east European countries, Hungary is a unique case partly because the smaller retail outlets were already under lease as part of the country's 'reform socialism' movement which began in 1968 and by the end of 1990 when the wave of privatisation swept over the east Europe the state sector in Hungary was responsible for about 60 per cent of the value added in national production Czechoslovakia has also partly followed this traditional approach

But this approach of privatisation has been widely criticised for its slow progress. According to the Czech prime minister "If we proceeded at the British rate it would take us 400 years" to privatise as the negotiated sale approach yielded the British the sale of only 10 per cent of the British industry over seven years Hence he found the Thatcherite method of privatisation a 'go slow' model and introduced the 'shock therapy' model for a fast and massive privatisation But what is happening now is some sort of a hybrid between 'shock therapy' and 'go slow' models

Small privatisation has by far been the most successful technique for transferring the ownership of state assets This type of privatisation (involving sale of small industrial, trading and catering establishments) is relatively simple to execute and can be done quickly, easily and efficiently for producing tangible results with relatively little social or political opposition Financing arrangements are the responsibility of the buyer and there are typically no arrangements to assist in raising finance. The auctions for selling small business are run by local privatisation offices under the guidelines established by the central privatisation authority Sales are usually for cash, and in most cases the successful bidder must make an immediate down payment of 10 per cent and then the balance in a given fixed time (90 days in the case of Czechoslovakia) So far this process of small business privatisation is popular only in the trade and services sector Most of the restaurants are privatised in this way in Poland, Hungary, Czech and Slovak republics This process is also not without constraints, for instance, what constitutes small business, the question of restitution to former owners, agency that will be responsible for actually organising the process of privatisation and so on

Mass privatisation This approach attempts the transfer of ownership of thousands of medium and large scale state owned enterprises to private owners, using vouchers or coupons or other means of mass distribution Mass privatisation is one of the most equitable routes to privatisation since all citizens 'ex ante' receive equal ownership stakes The vouchers provide liquidity to the otherwise non-liquid population In 1992 mass privatisation schemes have been legislated and are in various stages of implementation in Czechoslovakia, Poland and Romania In the Czech republic the voucher programme has been very popular where the citizens were entitled to purchase vouchers at the nominal cost of about an average one week's wages and later these vouchers are exchanged for shares A complex formula was used for determining the value of the shares which balances book value and investor demand After the break up of Czechoslovakia, in the Czech republic more than two thirds of the investors owning vouchers have given control of their vouchers to private investment funds, also known as national investment fund, which have promised very high returns

In the Czech republic enterprises have considerable flexibility in the sale through vouchers and to foreigners, with no minimum percentage of share mandated to be distributed through the voucher system The method used is a 'bottom up' approach where the enterprises are expected to plan their own privatisation programme and to present their plan to the government for approval The federal government in Prague was to control only about 5 per cent of the sale of SOEs and the remainder to be sold by the Czech republic. The Slovak republic, on the other hand, has pushed the coupon privatisation in the background and has moved to standard methods such as public auctions, public tenders and so on

In Poland there has been a keen interest in introducing mass privatisation as the best method to speed up the process of privatisation in the country The prime minister of Poland, Hanna Suchocka and the minister for privatisation, Janusz Lowandowski announced the government decision for rapid and mass privatisation in April this year

However on the issue of mass privatisation through vouchers or coupons the response may not be uniformly positive among all the political groups in the east European countries In Poland, the leader of Conservative Party, Aleksander Hall, holds the view that, "the strategy of fostering impossible hopes through promises of a distribution of 7,300 million worth of privatisation bonds among Polish citizens was tantamount to facile populism"

Internal privatisation refers to programmes that progressively cede control of the state owned enterprises to internal groups, i e, management and workers. Programmes are usually instituted to lease SOEs to management and workers with the option to later turn the lease into direct government loan In reality no east European

country pursues such a privatisation method as a primary strategy. What is happening is that the governments are faced with political pressures to recognise the effective ownership claims of SOE management and workers. Hoping to privatise the sector quickly the governments have instituted programmes and regulatory procedures that recognise the attempts to make the best of internal privatisation.

Industry-specific or sectoral privatisation addresses the issue on a sectorwise basis. A competitive environment is created for the most attractive deals and there are various economies of scale associated with working simultaneously on many units or enterprises. In Poland, during March-December 1991 under the Bielechi administration a high degree of priority was accorded to sectoral privatisation. A series of industrial sectors (typically with 10 to 20 enterprises) were selected once a sector has been chosen for privatisation. Officials of the ministry of privatisation prepare detailed terms of reference that describe the work programme. Selected advisors (including foreigners) are united to bid for the proposed assignment and these outside advisors are commonly used throughout eastern Europe to assist in the sectoral privatisation process of medium- and large sized enterprises. A number of individual enterprises were sold either by floating them off to the public or by sale to a western partner. Subsequently, the administration of Olszewski during December 1991-June 1992 gave this sectoral approach less priority and although this type of privatisation programme covered more than 500 enterprises, there were only five completed transactions in the first year of the programme. There are a total of 800 SOEs in Poland. The subsequent government finds mass privatisation more suitable to accelerate the programme.

Problems of Privatisation

The east European countries are facing several problems in their task of privatisation.

First and foremost an entire new system of laws have to be created spelling out the rules and regulations for the privatisation programme—commercial regulations, property rights, bankruptcy laws, etc. Some east European governments have ignored important issues such as corporate governance of state-owned enterprises so much so that many state-owned enterprises still remain units of the governments without corporate status, budget accounts, board of directors, etc, corporatisation or commercialisation are necessary preconditions for privatisation and should be viewed as privatisation itself. These problems are serious particularly in the case of Bulgaria and Romania. Without a clear political mandate and stable leadership from the top, it is extremely difficult for a privatisation programme to be successful. The present privatisation process has started at a time of fundamental systemic crisis making it a political issue. For instance, in Poland the legislative struggle around the privatisation bill lasted for 10 months in 1992 because of the lack of consensus on the basic principle. The government wanted to implement a basically 'British type' philosophy of privatisation, i e, the sale of state enterprises by state organs through public offering. But this received stiff resistance from the opposition groups not merely because of the extreme slowness of the method but because of the 'old' ideological considerations. Such instances have been occurring of late in the CIS countries too where the political dimensions of the economic reform policies seem to take an upper hand.

Privatisation in a few eastern European countries such as Romania is made more difficult because it lacks the basic infrastructure that is required for the working of the private sector. Many other parallel institutions have to be set up if privatisation is to take place very fast. First and foremost in a market economy prices are settled at market clearing levels. The basic institutions of the capital market (like the stock exchange, specialised banking, financial and consulting services) which play an important role in modern capitalist system have to be created, but such institutions cannot be created over night. When privatisation is carried out in an economy with underdeveloped capital markets, the resulting credit crunch is bound to encourage the governments to intervene by bailing out the unproductive firms.

Another important problem faced by the east European economies who want to privatise, i e, selling of firms to the public, is at what price? There is a situation of the distorted price system that the east European countries have inherited from their socialist past. But a reliable valuation of the firms requires a realistic price structure for the inputs and outputs of the enterprises. The dominance of artificial state prices means that asset valuation for privatisation purposes will be quite arbitrary. All the east European countries are trying to solve these problems through the policy of price liberalisation. In the meantime to overcome this problem Russia has started a novel method of establishing a system of correction coefficient, in which the 'base values' (arbitrary, book values less arbitrary depreciation) are adjusted through multiplication with this correction coefficient. These coefficients range from 1.1 for laboratory equipment to 4.8 for motor vehicles. These valuations are then to be adjusted according to the most recent financial performance of the enterprises.

In most of the east European countries there arises the problem of 'ownership' of state enterprises. In many cases both managers and workers claim ownership. Over the years power has accumulated within enterprises in the hands of managers and also trade unions and hence both assert a *de facto* if not a *de jure* claim. Jeffrey Sachs, an American economic advisor to the Polish government, points out that privatisation should begin by establishing that central governments alone own them and only they have the power to privatise them. According to him the overriding aim should be to transform

The Indian Association for the Study of Population announces an Essay Competition under Chandrasekaran Award. The essays written on "Population Growth and Sustainable Development" by young scholars (below 40 years) are invited. First prize Rs.1,500/-, second prize Rs. 1,000/- and third prize Rs.750/-.

The articles for inclusion in the competition should reach Prof. P.C. Saxena, I.I.P.S., Govandi Station Road, Deonar, Bombay-400088 by 15 October, 1993 at the latest.

state enterprises into private corporations with transferable ownership shares rather than into co-operatives or firms self managed by their workers. In general, the shares can be auctioned with a portion sold at a discount to the firm's workers. This is followed in most east European countries (with the exception of Hungary). In some cases cash is used and in many other cases the voucher is used (obtained through the free distribution scheme as in Czechoslovakia).

In the process of privatisation restitution has become an important issue especially in the Czech and Slovak republics. In Czechoslovakia, before the break-up, reprivatisation had been a serious issue and the character of their compensation was considered not merely moral or symbolic but included the restitution of the property that had been confiscated in the past. In Poland it has had a lesser significance because of the land question which had been predominantly private and therefore reprivatisation was not a political target. Another point in Poland is that the pre-war capitalist groups were mainly Jews and Germans, whose ownership cannot be re-established for the most part.

The issue of reprivatisation of property has met with opposition from a number of influential economists in Poland who think that this will put a brake on quick privatisation. There is another argument made at the same time that the demand for perfect justice cannot be satisfied. In Hungary the restitution scheme was found to be unconstitutional by the courts but the Restitution Act encouraged degressively increasing compensation for nationalised property in the form of privatisation vouchers.

The privatisation of big schemes and projects has not produced much results so far. It is not very clear whether mass privatisation through free distribution of ownership or the Hungarian type of spontaneous privatisation will offer a more efficient solution in the long run. Many of the east European countries have been able to privatise only small- and medium-size firms. In fact, even in societies of the west large organisations are often unresponsive to new circumstances. The prevalence of obsolete plants and buildings in these industries combined with other factors have tended to produce a dearth of bidders for privatisation of big projects. In the east European countries the large enterprises dominate the economy and for privatisation to become meaningful large enterprises too should come in the fold of privatisation. In Poland, there are only 982 enterprises in the state sector with 100 or less employees. The average number of employees per state-owned enterprise (excluding co-operatives) was 1,132. By contrast, in the west there were an average of 66 workers per plant in 1986 according to a survey of western economies. Moreover, many heavy industrial plants are burdened with expenditure on many associated services that in the west would be provided by municipal or private supplies. They usually include places of 'culture', housing, polyclinics, sanatoria, kindergartens, etc, since employment is very large in such enterprises.

The inability of concerned governments to manage the process has slowed down many privatisation programmes. In many cases the successors of the old communist regimes have tended to do away with the direct influence over the economy assuming that the emerging market forces would co-ordinate production. While the final aim is the reduction of state involvement, privatisation and other economic policies to succeed in transition period require that the state be active during the initial stages of the process. If the state is allowed to lose its influence instantly the transition to capitalism will lead to costly economic chaos. The government, besides supervising the privatisation programme, should also help in bringing about other economic measures such as creating stable macro-economic conditions, because privatisation by itself is not a miraculous remedy for the distortions and ailments of past communist economy.

One problem affecting production in Poland is the existence of strong trade unions which has discouraged investment by privatised firms which will be required to make huge additional investment for complying with social packages, i e, providing social benefits including housing, medical, etc. There is resistance on the part of industrial workers against privatisation since it often leads to laying-off of workers. Unemployment has, in fact, been rising in all the east European countries.

The Hungarian minister of privatisation Tamas Szabo has observed that worker involvement is a critical factor in the task of privatisation. Hence, the Hungarian government has created a council for co-ordinating the interests of groups including that of labour which will be affected by privatisation. This worker participation in privatisation has facilitated largely the creation of 'social peace' in the country (*IMF Survey*, March 22, 1993).

East European countries have often experienced bureaucratic resistance for speeding up the process of privatisation. Bureaucracy had been the beneficiary of the previous system enjoying power and privileges in the country. Under the changing conditions of liberalisation, the role of bureaucracy had been reduced substantially and consequently its political and economic power in the country. Hence, bureaucracy is not enthusiastic about privatisation in particular and economic liberalisation in general. Moreover, state enterprises and units belonged to different ministries and departments. But due to lack of inter-ministerial co-ordination in implementing policies and programmes, the pace of privatisation has slowed down.

In east European countries, privatisation is an essential and crucial process for achieving major objectives, i e, to bring about systemic transformation and to achieve rapid economic progress. Considering the magnitude of privatisation which is truly historic and problems involved in the implementation of the programme, the task of privatisation offers a formidable challenge to the leadership of the east European countries. In this regard the prime minister of the Czech republic has echoed the sentiments of the political leaders in the eastern Europe who are frustrated by the slow pace of the implementation of transformation--"I had thought the process would happen more quickly. I had no idea how great the problems connected with privatisation would be, or how strong the resistance to it would be in the state enterprises. . ". But notwithstanding such a multitude of problems, the east European countries have pursued the policy of privatisation often combining traditional and non-traditional approaches and methods. As observed by Janusz Lowandowski, mass privatisation at present will provide the necessary stimulus to galvanise the development of industry in the country.

Much of what has been achieved is in the realm of privatisation of small undertakings in trade and service sectors. A beginning has been made in the privatisation of medium-scale industrial establishments. There has not been much success in the privatisation of large state-owned enterprises. The role of foreign capital in the privatisation process has not been significant so far in the east European countries except in Hungary.

The tempo of privatisation may pick up in these countries during 1993-1994. The Czech and Slovak republics are to launch the 'second wave of coupon privatisation' in the second half of this year. Poland has also launched mass privatisation in March. In the next couple of years some east European countries particularly Hungary, Poland and the Czech republic may be able to achieve substantial progress in the task of privatisation. However, it is unlikely that all the major problems facing them in the process of privatisation will be solved. Moreover, it may take a much longer period, say five-seven years to achieve the principal objectives of privatisation, namely, economic efficiency, rapid economic growth and integration with the world economies.

Gigantic Peripheries

India and China in World Knowledge System

Philip G Altbach

In terms of number of qualified scientists and researchers, India and China are considered the third world's scientific superpowers. Yet these two countries will remain peripheral in the world scientific system.

AT first glance, these two large and important countries would seem to be well positioned for scientific leadership, and in fact they have achieved considerable success. China and India have relatively well developed scientific infrastructures today, including scientific laboratories, universities, a network of scientific journals, and large number of scientists and researchers. India, in fact, is the third world's scientific superpower in terms of number of qualified scientists, and China is not far behind. Both have a long scientific tradition—dating back many centuries in terms of indigenous science and scholarship and well over a century for western-oriented science and higher education. Both have, in the years following second world war, promulgated scientific plans and have taken scientific development seriously. And both have achieved considerable success—both are nuclear powers, for example, and both have a growing hi-tech industrial base which is capable of producing sophisticated products although not at the cutting edge of world technology.

This essay has at its core a surprising contradiction; its basic argument is the world's two largest countries, at least in terms of population, are now and will remain for the foreseeable future relatively unimportant in terms of international science and scholarship. They are, and will continue to be, influenced by scientific developments external to them. They will not have equal access to the major elements of scientific communication such as the international scholarly journals, data bases and the like. In terms of basic scientific research, in virtually every field and discipline these two countries will remain behind the world leaders and they will be dependent on ideas and discoveries from abroad. They are, and will remain, peripheral in the world scientific system.

Why must these two large and powerful countries be relegated to peripheral status in terms of world science and technology? The answer is complex and will be explained in this essay, but the simple truth is that world science is highly centralised, that its infrastructures are located in a small number of industrialised countries, that advanced science requires large investments of funds and increasingly needs highly sophisticated laboratories, and that top scientific personnel tend to be concentrated in a small number of countries and at the key academic and research institutions within those countries. It takes a tremendous investment to break into the 'major leagues' of world science and it is unlikely that either China or India will be in a position to make this investment.

This is not to say that these two important countries cannot play a significant scientific role or that science and research cannot help to contribute to national development. Both already play a role and have already used science for development. By focusing on maintaining a scientific base, supporting scientific research and higher education and ensuring that the best scientific personnel do not leave the country, scientific research can be maintained at a reasonable level.[1] By targeting specific areas of science that can contribute to national development and generously supporting these, it may be possible to build up world-class science in a few fields. China and India need to be realistic about their position in the world system of science and technology. Through a recognition of what is, and is not, possible, the best use can be made of indigenous potential. And effective strategies can be developed for functioning in the world scientific system.

There are also distinctions to be made between the development of universities and of ancillary research capacity for internal purposes and involvement in research at the international level. Both countries have built up large and differentiated academic systems which serve their complex needs. Quality varies, but there are in both countries universities as well as research facilities which approach or meet international standards. Advanced training in universities is necessary for expanding economies. Thus, the positions of these two countries in world research is not an argument for curtailing higher education, although this reality does relate to the research foci of their academic systems. Planning for higher education must take into account the nature of the international knowledge system and the place of the country in that system.

Countries cannot free themselves of the international knowledge system. Both the basic institutional structures of modern higher education and science and the intellectual underpinnings are western in nature and have come to dominate the world. All contemporary universities are based on the western model, regardless of their location.[2] No developing country has made a serious attempt to build a new university model. In the few attempts to break with western universities, such as during the Cultural Revolution in China in the 1960s, higher education basically stopped. Further, the scientific communications networks—journals, data bases and the like—are also western in orientation and control.

This discussion has relevance to developing countries generally, since all have seen higher education as an important part of nation building and many have stressed research as a part of the function of higher education. The points made in this essay apply to all developing countries, since all face similar problems in their efforts to build up scientific capacity and to work in the context of the world knowledge system. Indeed, most will find it even more difficult to develop scientific capacity on a much smaller population and resource base than China or India. Different developing countries face varying circumstances and their higher education and scientific development will be determined in considerable part by these realities. Many countries, such as most in sub-Saharan Africa, will find it impossible to build up a research infrastructure that can function at international levels and universities will need to adjust to this reality. Others, such as the newly industrialising countries of east Asia, have the financial and personnel resources to build up a research base in selected areas.[3] Adjusting to the realities of the international knowledge system is not solely a matter of the developing countries. Small industrialised nations or those which are outside of the mainstream must also take these factors into account. Norway, for ex-

ample, despite its high per capita income, must adjust its educational and scientific priorities to fit its relationships to the international knowledge system—Norwegian scholars often obtain their advanced degrees in other countries and use English as the language of scientific communication—and sometimes of teaching. The experiences of the largest and best developed of the third world nations—China and India—provide important lessons for other countries.

It is beyond the scope of this essay to discuss the international knowledge system in detail, but it is important to focus on some of the key elements of the system as they affect China and India.[4] By international knowledge system, we mean the people and institutions that create knowledge and the structures that communicate knowledge worldwide. There are, of course, many different kinds of knowledge. Our focus is on scientific knowledge that is based on research and which tends to be circulated internationally. This knowledge is both basic in that it relates to the advancement of the scientific disciplines and applied as it is used for technological and industrial products and innovations. While the natural, engineering and bio-medical sciences are perhaps most central, we are also concerned with the social sciences and even the humanities. The knowledge system affects all of the scholarly disciplines as well as applied fields. We are less concerned here with the important areas of indigenous science and scholarship. Fields such as religious studies, domestic history, music and art have strong local roots and are much less dependent on external forces, but even these fields often look abroad for the latest methodological trends or for the approval of scholars in the west.

The international knowledge system is complex and unequal. The means of knowledge production and distribution are both centralised. The bulk of the world's R and D expenditures are made by a small number of industrialised countries. Developing nations, including China and India, account for under 10 per cent of the world total. The US, the European Community and Japan dominate. Russia (the former Soviet Union), at one time a significant research power, is no longer much involved in research at the international level. Both basic and applied research are dominated by the major industrialised countries. Basic science depends on funding from governmental sources, the existence of a large and well trained academic scientific community based in universities (or in a very few cases government-sponsored research laboratories) and a competitive scientific culture that stresses research productivity for career advancement and prestige. Increasingly, basic science requires expensive laboratories with the most up-to-date equipment and access to libraries and data bases. Only the large, research-oriented universities in the industrialised countries offer these resources. Further, new interdisciplinary or subdisciplinary specialities are increasingly at the frontiers of science, and these tend to emerge in large and well equipped academic institutions. Basic science also depends increasingly in networking—the personal and professional contacts that are helpful to scientific advancement. Being at the centre of scientific development is crucial to involvement in these informal networks.

The scientific communications system is also centralised and dominated by the major research producing nations. A few examples will indicate the elements of this network. While there are between 60,000 and 1,00,000 scientific journals worldwide, only about 3,000 are indexed by the Institute for Scientific Information (ISI), which keeps track of 'significant', internationally circulated science. Most of these influential journals appear in the major international scientific languages—predominantly English and to a lesser extent French and perhaps German and Spanish. These are the publications that communicate the major discoveries in the scientific disciplines, that are read by scholars and scientists throughout the world, and that are cited by other scholars. Most of them are edited by senior scholars in the US, Britain, and to a lesser extent Canada or Australia. These editors are the 'gatekeepers' of science.[5] The norms and paradigms that are influential in the academic and scientific systems of the US and the major industrialised countries dominate the world. Scholars in other parts of the world with different orientations find it difficult to get published in the major international journals. Journals from other parts of the world are not often circulated internationally. The publishing system for books is quite similar. The major publishers and editors are located in the industrialised world, as are the main markets for books (as well as journals). English dominates international scholarly publishing. The most recent innovations in scientific communications, data bases and information networks, are also located in the major industrialised nations. The major scientific producing nations own the data networks, control what goes into them, and manufacture the hardware and software that permits these systems to work.

It is clear that developing countries are at a particular disadvantage. Not only are their scientific systems generally small and poorly equipped, but they do not have easy access to the communications networks. They are, at best, consumers of knowledge. And it is often difficult even to obtain access to needed information because it is too expensive or utilises hi-tech networks that third world nations do not have readily available. Third world scholars may not be able to write easily in English and may not know the latest fashions in science or scholarship. Thus, they tend to be excluded from the top journals and are not part of the 'invisible college' of science that works through personal contacts, international conferences, seminars and the like.[6] It is in this context of inequality and scarcity that even countries as large and powerful as India and China must function.

India and China both have large and relatively productive academic and scientific systems. Both have taken science and higher education seriously. Both see science and higher education as important to national development and both desire to build research capability and to harness it to technology and industry. Each country exhibits many similarities and some significant differences. It is important to discuss the nature of the academic and scientific systems of these two important countries. Together, China and India constitute close to one-third of the total population of the globe. This, in itself, is a significant factor because they are key consumers of scientific knowledge. Both countries have large and growing academic scientific systems.

China and India show some important similarities. Both countries have made a significant commitment to higher education, but both enrol on a small proportion of the relevant age group. India enrols about 5 per cent of the relevant age group, while about 1 per cent attend post-secondary institutions in China (4 per cent of the secondary school graduating cohort). This compares to around 50 per cent in the US, 35 per cent in Japan and around 20 to 25 per cent in western Europe. However, in the context of developing countries, both India and China enrol a relatively high proportion of the age groups—many countries in Africa, for example, have only 1 or 2 per cent of the age groups in post-secondary education, although Latin America educates a much higher percentage as do most of the rapidly developing economies of the pacific rim.

India has approximately 140 universities and 7,000 colleges. India also have a large number of specialised post-secondary institutions, such as the internationally recognised Indian Institutes of Technology, several Institutes of Management, the Tata Institute of Fundamental Research and others. India's higher education is highly

differentiated, with the quality of teaching and research high at some of the apex universities and specialised academic and research institutions. However, the bulk of undergraduate students in India's 7,000 colleges receive instruction that is well below international norms. India also has a network of government funded research facilities in a range of disciplines, from atomic energy to coal technology.[7] In addition, Indian private industry has sponsored a few research laboratories in several fields such as silk technology and pharmaceuticals. In some fields, such as computer software development, India has a large and sophisticated research apparatus, both in some of the universities and research institutes and in the private sector. India also claims one of the world's largest scientific communities—including researchers and post-secondary level teachers. It is often said that India ranks third in the world in terms of the number of scientists, after the US and Russsia.

China similarly has a large, differentiated and complex academic and research system. China has 1,024 colleges, universities and other full-time institutions of higher education. More than half of this number are colleges of engineering and colleges of education. Only 4 per cent are comprehensive universities, which have the highest prestige. There are two million undergraduates and 1,13,000 graduate students in institutions of post-secondary education and there are 189 doctoral granting universities.[8] Like India, China's higher education system is highly differentiated, with a large number of institutions sponsored by provinces, cities or other local authorities which are often of poor or moderate quality and a small number of 'key point' universities, generally sponsored by the central governments, at the top of the system. In addition, China has a significant number of research institutions in a variety of fields, some of which function at international levels of excellence. While Chinese science is much less visible internationally than Indian science, China has a large and active scientific community and a significant number of scientific journals.[9] Chinese scientists have produced nuclear weapons and satellites. Except during the period of the Cultural Revolution in the 1960s, China has emphasised scientific research and higher education as a part of its plans for modernisation and development

There are also some significant differences in the academic and scientific development of these two countries. India has permitted market forces and the private sector (although with considerable state subsidy) to determine the rate of growth of higher education. The large majority of Indian students attend private colleges which are subsidised by public funds and controlled to an extent by public authority. The Indian academic system has grown steady, at a rate of close to 10 per cent annually for more than three decades and efforts to control growth by government authority have largely failed.[10] Most agree that academic standards for the majority of students have declined in recent decades. There are massive problems of educated unemployment. China, on the other hand, has tightly controlled higher education expansion. During several periods, most notably the Cultural Revolution in the 1960s, expansion was stopped. Indeed, at that time the entire academic system was closed for almost a decade, with disastrous consequences for higher education and research. Higher education in China has been rigidly planned by the central government although the situation is now changing to some extent and provinces are playing a more active role in higher education development. It may be significant that the majority of college and university students focus on the social sciences and humanities in India (despite significant unemployment of graduates in these fields) while China's planned academic development has emphasised engineering and science—and recently the study of management, with a modest proportion in the social sciences.

While the legacy of foreign influences and colonialism is significant in both countries, the specific impacts have been quite different. The modern academic and research systems of both countries have western roots although both have rich ancient cultural and educational traditions. China's early academic development was influenced by western missionaries and by modest efforts by the government to build a few universities. The language of instruction was Chinese, for the most part, and the institutional models were American, German, French and Japanese.[11] China's higher education development went through a number of quite distinct disjointed phases, with significant disruptions during the war with Japan during the 1930s and 40s and then during the struggle between the Nationalists and Communists which culminated in the establishment of the People's Republic of China in 1950. During the first phase of Communist rule, the Soviet academic and scientific model was introduced into China, displacing other influences.[12] This was followed by the break with the Soviet Union and the Cultural Revolution. Since around 1970s, China has again been open to western academic influences.[13]

India, in contrast, was under British colonial rule for two centuries, achieving independence approximately at the same time as China's revolution. India's academic development proceeded without the disruptions that characterised China's. The British imposed an academic model and the English language as the main medium of instruction and scholarship.[14] The colonial language and the colonial academic models remain, with some significant modifications, as the main features of the Indian academic system to the present. India's academic and intellectual ties have always been with the English-speaking western countries, especially Britain and, in recent years, the US. India's academic journals and books are published in English.

While China's academic life has, since 1950, not only been tightly controlled in terms of academic growth and development but in terms of research foci and intellectual and ideological trends, India, in contrast, has had a significant measure of academic freedom and consistent contacts with the outside world. India's scientists and scholars, at least in the major universities and research laboratories, have long been a part of the international scientific community. Chinese academics have had much less contact with the outside world, limited by the constraints of language, government policy and funds.

Large numbers of students and scholars from China and India have studied abroad—mainly in the industrialised nations of the west. Many remained overseas while others returned home. In both cases, these foreign educated Indians and Chinese have had a profound influence on the two countries. Foreign study is by no means a recent phenomenon. Students began going abroad in large numbers in the 19th century and foreign returned individuals played a great role in creating modern China and India. One need only mention Sun Yat-sen and Chou En-lai as examples of Chinese who studied overseas and profoundly influenced modern China. Jawaharlal Nehru, B R Ambedkar and many other Indians also studied overseas, mostly but not exclusively in England. It should be noted that these returnees do not only bring foreign ideas back, they also reinterpret their own culture and society. For half a century, India has been one of the main 'sending' countries among the developing nations. India has been among the top five countries sending students to the US since the 1950s—it is likely that 2,00,000 Indians have earned academic degrees in the US and probably a similar number in other countries over the past 40 years.

China's foreign study experience has been somewhat different. Prior to the establishment of the Peoples Republic of China (PRC) in 1950, the large majority of Chinese students studied in the west or

in Japan. Between 1950 and the mid-1960s, most Chinese students went to the Soviet Union—and the total numbers also decreased. After the Sino-Soviet split, the Soviet Union was no longer open to Chinese students. When China cut itself off from the outside world during the Cultural Revolution, virtually no students went abroad to study. However, beginning in the mid-1970s, when China committed itself to the 'four modernisations' and reopened the universities, students began studying abroad in unprecedented numbers. By the late 1980s, more than 25,000 students from China were studying in the US, with perhaps an equal number enrolled in all other countries.[15] As is the case for India, a significant number of Chinese students have not returned home after completing their degrees.

Foreign scholars are also of considerable importance in the process of knowledge transfer and intellectual contacts. A large number of established scholars from China and India have visited western countries and Japan and have returned with ideas and orientations influenced by their sojourns abroad. For example, more than 10,000 scholars from China were in the US in the early 1990s and about 60,000 from India. Typically, foreign scholars are established academics who remain abroad for varying periods— from a few months to several years—to pursue research. Many are sponsored by universities or other agencies in the industrialised nations (such as the Fullbright programme in the US of the DAAD [German Academic Exchange Service] in Germany).

What is important about foreign students and scholars in the context of this discussion of the academic and scientific development of China and India is that this very large group of individuals is profoundly influenced by their experiences abroad. They learn about science, research and scholarship in the industrialised countries and bring this knowledge back with them. Their orientations to science and scholarship is shaped by what they learn abroad. Further, they also frequently are influenced by the academic models, the life-styles, and perhaps the products and social ideas of the countries in which they study. Because of their expertise, and sometimes also because of the prestige of a foreign academic degree, these returned students and scholars frequently achieve positions of leadership in science, higher education, the arts and sometimes in politics or business. All of this is inevitable. The flow of people who have been trained abroad is one element of the continuing set of relationships between China and India on the one hand, and the industrialised nations on the other. There has been a significant 'brain drain' from both China and India over the years. In one sense, this talent has been lost for the economic and social development of these countries. On the other hand, these populations serve as a point of contact and of interpreting ideas and practices.

Significant number of Chinese and Indians live outside of India and the PRC. These populations are an important point of contact between India and China and the industrialised world. The full extent of Chinese and Indian populations living in the west is not clear, but they number in millions and many occupy positions in science, education and the professions.[16] The number of Chinese and Indians holding academic posts in American universities is large—probably numbering more than 10,000. Many of these scientists and scholars maintain contacts with colleagues in the country of origin and they frequently work in these countries.[17] They serve as consultants, visiting professors, and they participate in conferences. In India, these people are called 'Non Resident Indians (NRI)' and they constitute an important source of investment, knowledge and contacts with the industrialised world. Similar populations of Chinese play the same role.[18]

There are also populations of Chinese and Indians settled in other parts of the world and these groups also play a role. Chinese living in Hong Kong and Taiwan, technically parts of China but not currently under the jurisdiction of the Peoples Republic of China, are of special importance. They are a source of knowledge, investment and contacts with the west and Japan. The economies as well as the scientific and academic systems of these two areas are also of importance to China in the long run. Other Chinese populations living in countries such as Singapore and Malaysia may also play a role. There are also established Indian populations settled in such regions as south-east Asia, east Africa and even Guyana in Latin America but these are less important in terms of India's international relationships.

Chinese and Indian populations settled abroad are important sources of contact, ideas and relationships with the industrialised nations. Because they understand the home culture and society and because they speak the home language, they have special advantages. And many feel a sense of kinship as well. However, these populations in a sense are a source of continuing peripherality as well because they reinforce the importance of the ideas, products and practices of the industrialised world. They are, rather, serving as point of access for foreign ideas, practices and institutions. They are not, for the most part, reinterpreting Indian or Chinese traditions. From the perspective of this essay, these diasporas serve as a source of continuing peripheriality. Their influence is considerable and very probably it is a positive one in terms of commerce, science and industry. The Chinese and Indian diasporas are among the most important in the world because they are so large, well educated and widely dispersed.

Despite their size and relatively high level of scientific and educational accomplishments, neither India nor China can avoid participating in the world knowledge system. And this participation will necessarily be unequal. The fact is that world science and scholarship will continue to be dominated by the west and Japan for some time to come for the reasons that have been discussed in this essay. This means that even India and China will be to a significant extent peripheral in the world knowledge system. The industrialised nations simply have such large scientific infrastructures and spend so much on R and D that it is not possible for developing countries to catch up. It is not possible to opt out of the system—China tried this during the cultural revolution to its great detriment.

The structural factors that have been discussed here to a very large extent determine the place of a nation in the knowledge system. These factors are not only relevant to low per capita income countries. The wealthy nations of the Arabian Gulf, for example, also face a situation of peripheriality. Their wealth does not permit them to play a central role in world science. In these cases, such as Kuwait and even Saudi Arabia, the problem is one of the size of the scientific and academic communities and the development of a culture of scientific research.[19] Even smaller highly industrialised nations with well established academic traditions, such as Norway or Finland, find themselves peripheral parts of the world academic system and rely on research initiatives and publication outlets in the larger centres of academic power.

For the foreseeable future, India and China will depend on other countries for charting the basic direction of scientific research, for the means of obtaining information about the latest scientific developments, for training in the most advanced scientific specialities. The basic paradigms of research will take place abroad and will necessarily affect the local scientific community. Scientific products, including the most advanced laboratory equipment, advanced computers and, of course, books and journals will continue to be imported. These products are not designed with China and India in mind nor are they priced so that countries with a low per capita income can easily afford them. Training

in some advanced scientific fields will also take place abroad. These are some of the elements of peripherality that will continue to affect science and higher education in China and India.

Nevertheless, there two important countries have already achieved a level of scientific and academic independence and they can continue to build on established strength and, by careful allocation of resources, achieve many of their academic and R and D goals. Indeed, in some areas, both countries have already made impressive progress, sometimes against major obstacles. Both countries have built up a significant capacity in military related research and production so that both possess nuclear weapons and the means of delivering them. While Chinese and Indian technology in these areas does not meet world standards, it seems adequate for the purposes and it has apparently been mostly developed indigenously.[20] This example is relevant for our broader discusssion because it exemplifies the challenges, the opportunities and the problems of targeted research. Both countries have invested considerable sums in military and nuclear R and D. They have, despite considerable problems and a lack of co-operation from the international scientific community, been able to build up capacity in this applied area.

China and India have the capacity to target specific areas of research for priority development. India has, for example, achieved considerable progress in computer technology at all levels, from basic research building on India's long and distinguished research tradition in mathematics and in applied areas such as software development Significantly, Indian scientists work closely with colleagues abroad and are very much part of the international scientific community. Indians working abroad in this field, especially in the US, have contributed significantly to India's development in computer science. These non-resident Indians have even invested in the Indian computer industry and have encouraged direct collaboration between firms in the US and those in India. They have even helped to build up an Indian 'silicon valley' in Bangalore as a centre for R and D in computer science and in applied computer applications. Much of the initiative for this development has come from the private sector, but the Indian government has also assisted by making research funds available and in stressing the importance of targeted R and D in this field. The late prime minister Rajiv Gandhi had a special interest in applied R and D generally and in computer technology in particular. There are other examples of successful targeting of research and the application of this research to development. India's successful 'green revolution' dramatically improved agricultural production in the 1970s. This was done by a combination of using and sometimes adapting research developed in other countries, especially in this case by the International Rice Research Institute in the Philippines, applying this research to local needs in Indian scientific institutions and then disseminating information and providing resources for the use of the new technologies. Similar examples can be provided for China.

A strategy that is available to China and India is to target specific areas for intensive R and D investment. These areas are generally in fields that can directly benefit the economy and which build on strengths that already exist in the country. The strategy requires a co-ordinated effort that includes the academic and research communities, the targeted industries or agencies, and the ability to ensure that R and D can be translated into applied products, innovations or developments. However, it is also necessary to support a capacity for basic research as well because applied research cannot be built on a basis where there is no scientific community or infrastructures. Several of the Asian newly industrialising countries have successfully targeted applied research areas and have used these to support economic growth. Taiwan's support for a science-based industrial part at Hsinshu and the links between several universities which are involved in the park and the Taiwanese computer industry have yielded considerable success.[21] India has been more successful in building up basic scientific capacity in terms of a large number of scientists working both in the universities and in government laboratories, many under the aegis of the Council of Scientific and Industrial Research (CSIR), which is supposed to provide applied research. However, the links between actual industrial and technological productivity and these scientific efforts are often not fully exploited. While China has a significant scientific infrastructure and strong links between research institutions and industrial enterprises, it would seem that highly productive links between research and industry are less common.

It is clear from this discussion that India and China are tied to an international knowledge system which places them at a significant disadvantage and that it is virtually impossible for these two large and educationally well developed third world nations to achieve full parity and independence in this system. It is necessary to recognise the nature of the system and the realities that guide it. Nonetheless, it is possible for China and India, as well as many other third world countries, to carefully assess their scien-

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tific strengths and to build on them. It is appropriate to conclude this discussion with several ideas that may be useful to these two third world scientific superpowers as they contemplate the use of R and D for development:

(a) Scientific links and co-operation between China and India may significantly strengthen both countries. Political differences have kept them apart for many years but, with the end of the cold war and other changes, it may be possible for these two countries to work together in areas of mutual scientific interest.

(b) Ensuring that at least a segment of the university system is at international levels of teaching, research and scholarship is crucial because applied R and D must have a base in domestic science. Careful choices of institutions, fields and foci can be made.

(c) Decentralisation of decision-making may be useful, especially in countries as large and complex as China and India. Initiative at the state or provincial levels, perhaps supported by central government funding, may yield results. Careful coordination between enterprises and academic and scientific institutions may be easier and more effective at a more decentralised level.

(d) At the same time that many decisions are decentralised, it may be useful, at the national or perhaps regional levels, to target specific areas for R and D development. Even countries as large as China and India cannot be scientifically strong in every field.

(e) Cultivating the scientific diaspora is of importance because these scientists can be linked to the home country productively.

(f) Long-term linkages with academic and scientific institutions in other countries may be helpful in maintaining international contacts and access to the most current innovations and knowledge. These linkages may be largely in the west and Japan, but in some instances could be in the NICs.

(g) Policies that encourage multinational companies with manufacturing or commercial facilities in the country to do some of their R and D in the country as well can help to build up infrastructures and provide current scientific information that will be valuable to local industry. Multinational firms may also be encouraged or in some cases compelled to share some of their technologies.

It is clear that research, development and science are linked not only with the higher education system but also with broader issues of industrial and trade policy, with the place of the country in the international world of science and scholarship, and with ideas about the nature of research and higher education. While both China and India have built up impressive academic systems in the past half-century and they have also made considerable progress in terms of industrial development, they have not thought much about the interrelationships of these elements. Nor have they studied the experiences of each other. The first step is a clear and unemotional understanding of the nature and role of the world knowledge system. After that, it is possible to focus on how a nation which is not at the centre of scientific power can make the best possible use of its own academic and scientific resources. An important part of a successful strategy may be co-operation among countries which are in similar positions.

Notes

[The author is indebted to Hyaeweol Choi for her comments on an earlier version of this essay.]

1 Erik W Thulstrup, *Improving the Quality of Research in Developing Country Universities*, Education and Employment Division, Population and Human Resources Department, The World Bank, Washington, DC, 1992.

2 There are a few non-western academic institutions remaining, such as the Al-Azhar in Egypt, but these do not play a key role in modern scientific development.

3 See Philip G Altbach et al, *Scientific Development and Higher Education: The Case of Newly Industrialising Nations*, Praeger, New York, 1989.

4 For a complete discussion of the knowledge system, see Philip G Altbach, *The Knowledge Context. Comparative Perspectives on the Distribution of Knowledge*, Suny Press, Albany, 1987.

5 Lewis Coser, 'Publishers as Gatekeepers of Ideas', *Annals of the American Academy of Political and Social Sciences*, 421, September 1975, pp 14-22

6 See Diana Crane, *Invisible Colleges Diffusion of Knowledge in Scientific Communities*, University of Chicago Press, Chicago, 1972

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9 Eugene Garfield, 'Science in the Third World', *Science Age*, October-November 1983, pp 59-65.

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12 Ronald F Price, 'Convergence or Copying: China and the Soviet Union', ibid, pp 158-83 and Leo A Orleans, 'Soviet Influence on China's Higher Education', ibid, pp 184-98.

13 Jurgen Henze, 'Educational Modernisation as a Search for Higher Efficiency' ibid, pp 252-70.

14 Eric Ashby, *Universities: British, Indian, African*, Harvard University Press, Cambridge, Mass, 1966. See also Aparna Basu, *The Growth of Education and Political Development in India, 1898-1920*, Oxford University Press, Delhi, 1974

15 For a detailed discussion of the nuances of foreign contacts and foreign study in the Chinese context, see Ruth Hayhoe, *China's Universities and the Open Door*, M E Sharpe, Armonk, 1989

16 For an interesting general discussion of this theme, see Joel Kotkin, *Tribes. How Race, Religion and Identity Determine Success in the New Global Economy*, Random House, New York, 1993

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19 Ali N Alghafis, *Universities in Saudi Arabia Their Role in Science, Technology and Development*, University Press of America, Lanham, Maryland, 1992 See also H A Al-Ebraheem and R P Stevens, 'Organisation, Management and Academic Problems in the Arab University. The Kuwait University Experience', *Higher Education* 9 (1980), pp 203-21.

20 Not surprisingly, there is little discussion of military-related research either in China or India because of the national security implications involved These comments are, therefore, based on general observation.

21 H Steve Hsieh, 'University Education and Research in Taiwan' in P G Altbach et al *Scientific Development and Higher Education*, pp 177-213.

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SOCIETE GENERALE

THE FRENCH AND INTERNATIONAL BANK

(Incorporated in France with limited liability)

BOMBAY BRANCH

BALANCE SHEET AS ON MARCH 31, 1993

(Rs in 000's)

	Schedule No	As on 31 3 93	As on 31 3 92
CAPITAL AND LIABILITIES			
Capital	1	62,389	62,389
Reserves and surplus	2	87,806	51,995
Deposits	3	1 867,682	1,975,414
Borrowings	4	481,803	164,750
Other liabilities and provisions	5	176,237	191,522
TOTAL		2,675,917	2,446,070
ASSETS			
Cash and balances with Reserve Bank of India	6	490,534	169,115
Balances with banks and money at call and short notice	7	482,755	154,326
Investments	8	1,138,759	708 786
Advances	9	419,723	926,376
Fixed assets	10	7,839	7 662
Other assets	11	136,307	479,805
TOTAL		2 675 917	2 446 070
Contingent liabilities	12	3,239 604	6 193 353
Bills for collection		254 750	17,602

Notes on Accounts 17

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1993

(Rs in 000's)

	Schedule No	Year ended 31 3 93	Year ended 31 3 92
I **INCOME**			
Interest earned	13	366,877	272,570
Other income	14	63,137	30,355
TOTAL		430,014	302,925
II **EXPENDITURE**			
Interest expended	15	219,641	158,313
Operating expenses	16	34,164	28,044
Provisions and contingencies		111,522	79,383
TOTAL		365,327	265,740
III **PROFIT/LOSS**			
Net profit for the year		64,687	37,185
Profit brought forward		36,895	21,290
TOTAL		101,582	58,475
IV **APPROPRIATIONS**			
Transfer to statutory reserves		12,950	7,450
Remitted to HO during the year		28,876	14,130
Balance carried over to balance sheet		59,756	36,895
		101,582	58,475

As per our attached report of even date

For C C CHOKSHI & CO
Chartered Accountants
Sd/
R Salvati
Partner

for SOCIETE GENERALE – BOMBAY BRANCH

Sd/
M Bricout
General Manager

Sd/-
Sandra Martyres
Assistant General Manager

Bombay
Dated June 14 1993

SOCIETE GENERALE
THE FRENCH AND INTERNATIONAL BANK
(Incorporated in France with Limited Liability)
BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(Rs in 000's)

	As on 31 3 93	As on 31 3 92
SCHEDULE 1-CAPITAL		
For Banks Incorporated Outside India		
Capital	62,389	62 389
Amount of Deposit kept with the Reserve Bank of India under sub section(2) of Section 11 of the Banking Regulation Act, 1949	20,130	12,600
SCHEDULE 2-RESERVES AND SURPLUS		
Statutory Reserves		
Opening Balance	15,100	7 650
Additions during the year	12,950	7 450
	28,050	15 100
Balance in Profit & Loss A/c	59,756	36 895
	87,806	51 995
SCHEDULE 3-DEPOSITS		
A I Demand Deposits		
(i) From Banks	1,570	1 560
(ii) From others	56,540	45 839
II Savings Bank Deposits	11,638	16,157
III Term Deposits		
(i) From Banks	206,397	512 397
(ii) From others	1 591,537	1,399 461
	1,867,682	1,975 411
B Deposits of Branches in India	1,867,682	1,975 414
TOTAL	1,867,682	1,975,414
SCHEDULE 4-BORROWINGS		
Borrowings in India		
(i) Reserve Bank of India	14,500	0
(ii) Other Banks	467,303	164 750
TOTAL	481,803	164,750
Secured borrowings included in above	NIL	NIL

	As on 31 3 93	As on 31 3 92
SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS		
I Bills payable	35 341	11,264
II Inter office adjustments (net)	40 286	0
III Interest accrued	21 739	31,049
IV Others (including provisions)	78 871	149,209
TOTAL	176,237	191 522
SCHEDULE 6-CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	711	609
II Balances with Reserve Bank of India		
(i) in Current Account	396 219	168 506
(ii) in Other Accounts	93 604	0
	490,534	169,115
SCHEDULE 7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
(i) Balances with banks in India		
(a) in Current Accounts	3 598	962
(b) in Other Deposit Accounts	188 007	800
(ii) Money at call and short notice		
(a) With banks	280 000	0
(b) With other institutions	0	150 000
TOTAL	471 605	151,762
II Outside India		
In Current Accounts	11 150	2,564
TOTAL	11,150	2,564
GRAND TOTAL	482,755	154,326

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NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(Rs in 000's)

	As on 31.3.93	As on 31.3.92
SCHEDULE 8-INVESTMENTS		
I. Investments in India		
(i) Government securities	568,194	492,376
(ii) Other approved securities	5,500	5,500
(iii) Shares	180	180
(iv) Debentures and bonds	87,335	95,980
(v) Others	477,550	114,750
TOTAL	1,138,759	708,786
NOTE: The market value of Quoted Government Securities is lower than the Book Value by 320. (Previous Year—Book Value lower than Market Value by 5,274)		
SCHEDULE 9-ADVANCES		
A. (i) Bills purchased and discounted	58,691	638,876
(ii) Cash credits, overdrafts and loans repayable on demand	346,507	243,557
(iii) Term loans	14,525	43,943
	419,723	926,376
B. (i) Secured by tangible assets	306,981	277,257
(ii) Covered by bank/ Government guarantees	77,838	324,878
(iii) Unsecured	34,904	324,241
	419,723	926,376
C. I. Advances in India		
(i) Priority sectors	38,767	74,126
(ii) Banks	5,526	250,000
(iii) Others	375,430	602,196
TOTAL	419,723	926,322
II. Advances outside India		
Due from banks	0	54
TOTAL	0	54
GRAND TOTAL: (C. I & II)	419,723	926,376

(Rs. in 000's)

	As on 31.3.93	As on 31.3.92
SCHEDULE 10-FIXED ASSETS		
I. Fixed Assets (Other than Premises) (incl. furniture and fixtures)		
(i) At cost as at 31st March	21,693	20,490
(ii) Additions during the year	2,586	1,493
(iii) Deductions during the year	(546)	(290)
(iv) Depreciation to date	(15,894)	(14,031)
TOTAL	7,839	7,662
SCHEDULE 11-OTHER ASSETS		
I. Inter-office adjustments (net)	0	355,597
II. Interest accrued	44,126	63,205
III. Tax paid in advance/tax deducted at source	18,534	10,700
IV. Stationery and stamps	11	23
V. Others	73,636	50,280
TOTAL	136,307	479,805
SCHEDULE 12-CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	15,507	14,480
II. Liability on account of outstanding forward exchange contracts	2,715,864	4,820,243
III. Guarantees given on behalf of constituents In India	101,334	106,481
IV. Acceptances, endorsements and other obligations	104,040	850,577
V. Bills rediscounted	301,758	402,866
VI. Other items for which the bank is contingently liable	1,101	706
TOTAL	3,239,604	6,195,353

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NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(Rs in 000's)

		Year ended 31 3 93	Year ended 31 3 92
SCHEDULE 13 INTEREST EARNED			
I	Interest/discount on advances/bills	207 004	17[illegible] /71
II	Income on investments	113,089	51 807
III	Interest on balances with Reserve Bank of India and other inter bank funds	46 784	44,992
	TOTAL	366,877	272 570
SCHEDULE 14-OTHER INCOME			
I	Commission exchange and brokerage	9,144	5 649
II	Profit on sale of investments	7 162	12,591
	Less Loss on sale of investments	(8,813)	(6 936)
III	Profit on sale of land buildings and other assets		
	Less Loss on sale of land buildings and other assets	(17)	(45)
IV	Profit on exchange transactions	135,088	80 792
	Less Loss on exchange transactions	(94,760)	(64,512)
V	Miscellaneous income (includes provision for doubtful debts written back 13,306)	15,333	2 816
	TOTAL	63,137	30 355

(Rs in 000's)

		Year ended 31 3 93	Year ended 31 3 92
SCHEDULE 15-INTEREST EXPENDED			
I	Interest on deposits	176,159	123,222
II	Interest on Reserve Bank of India/inter bank borrowings	42,898	34,236
III	Others	584	855
	TOTAL	219,641	158,313
SCHEDULE 16-OPERATING EXPENSES			
I	Payments to and provision for employees	8,174	7,181
II	Rent, taxes and lighting	6,076	5,214
III	Printing and stationery	614	587
IV	Advertisement and publicity	49	10
V	Depreciation on bank's property	2,379	2,169
VI	Directors' fees, allowances and expenses	44	35
VII	Auditors' fees and expenses	45	89
VIII	Law charges	95	15
IX	Postage, telegrams, telephones etc	4,663	3,009
X	Repairs and maintenance	1 361	1,601
XI	Insurance	882	767
XII	Other expenditure (incl Head Office Supervisory charges 4,500, Previous year 4,050)	9,782	7,367
	TOTAL	34,164	28,044

SOCIETE GENERALE
THE FRENCH AND INTERNATIONAL BANK
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NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

Schedule 17—Notes on Accounts

I. Summary of Significant Accounting Policies

1. General
The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

2. Transactions involving foreign exchange:

(i) (a) Foreign currency assets and liabilities are translated on a daily basis at the exchange rates prevailing at the close of the day except for balances in Foreign Currency (Non-Resident) Accounts which are recorded at the relevant notional rates specified by Reserve Bank of India. Accordingly monetary assets and liabilities other than balances in Foreign Currency (Non-Resident) Accounts have been translated at the exchange rates prevailing at the close of the year.

(b) Unmatured spot and forward foreign exchange transactions are revalued on a monthly basis at the then prevailing spot and forward rates respectively.

(c) Gains and losses arising from the above valuations are reported in the Profit and Loss Account.

(ii) Income and expenditure items have been translated at the exchange rates prevailing on the date of the transaction.

3. Investments

(a) Investments in Securities approved for the purpose of maintaining Statutory Liquidity Ratio requirement:

(i) Permanent Investments
Valued at cost of acquisition. The difference between cost of acquisition and maturity value is amortized/accrued over the residual maturity of the Security.

(ii) Current Investments
Valued at the lower of cost of acquistion or market value.

(b) Other Investments:
Valued at the lower of cost of acquisition or market value.

4. Advances

(i) Provisions for doubtful advances have been made to the satisfaction of the auditors—
— in respect of identified advances, based on a periodic review of advances, after taking into account the portion of the advances guaranteed by the Export Credit and Guarantee Corporation and similar statutory bodies and guidelines issued by the Reserve Bank of India.
— in respect of general advances, based on management's estimate of potential exposure and taking into account guidelines issued by the Government of India and the Reserve Bank of India.
— provisions in respect of doubtful advances have been deducted from advances to the extent necessary and the excess has been included under "Other Liabilities and Provisions".

5. Fixed Assets

(i) Fixed assets have been accounted at their historical cost.

(ii) Depreciation has been provided on the diminishing balance method at the following rates per annum:

Furniture and fixtures	10%
Computers	40%
Electrical fittings and fixtures	33.33%
Equipment	33.33%
Vehicles	33.33%

(iii) Certain fixed assets which were provided without charge to the Branch by Head Office are included in these accounts at nominal value for the purpose of control.

6. Staff benefits
Provision for gratuity is made on the basis of an actuarial valuation. Provision for pension benefits is made on an accrual basis. Separate funds for gratuity and pension have been created.

7. Net profit
The net profit disclosed in the profit and loss account is after:
(i) provision for taxes on income in accordance with statutory requirements.
(ii) provisions for doubtful advances.
(iii) provision for diminution in the value of investments.

II. The Bank has accounted for Profit/Loss on outstanding forward foreign exchange contracts on an accrual basis upto March 12, 1993. For contracts entered into subsequently, revaluation is done only at the end of the month at the prevailing forward exchange rates. As a result of this change, the net profit on exchange transactions stated in Schedule 14 "Other Income" is lower by Rs. 4,003,307.99.

III. Previous year's figures have been regrouped and reclassified wherever necessary to make them comparable with current year's figures.



SOCIETE GENERALE
THE FRENCH AND INTERNATIONAL BANK
(Incorporated in France with limited liability)
BOMBAY BRANCH

Auditors' Report

1 We have audited the attached Balance Sheet of the Bombay Branch of Societe Generale (incorporated in France with limited liability) as on 31st March 1993 and also the annexed Profit and Loss Account for the year ended on that date.

2 In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The Accounts are therefore, drawn up to conform with Forms A and B of the Third Schedule to the Banking Regulation Act 1949 Subject to the foregoing observations, we report that in accordance with sub-section (3) of Section 30 of the Banking Regulation Act 1949

a We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory,

b The transactions of the Bombay Branch which have come to our notice have been within the powers of the Bombay Branch of the Bank,

c In our opinion, proper books of account, as required by law, have been kept by the Bombay Branch of the Bank so far as appears from our examination of those books,

d The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with books of account,

e. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1956 in the manner so required, for Banking companies and read together with the notes, give a true and fair view.

(i) In the case of the Balance Sheet of the state of affairs of the Bombay branch of the Bank as at 31st March 1993, and

(ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For C C CHOKSHI & CO
Chartered Accountants
Sd/-
R SALIVATI
Partner

Bombay
Dated June 14, 1993

Necessities and Luxuries

Andre Beteille

The Culture of Flowers by Jack Goody, Cambridge University Press, Cambridge, UK, 1993, pp xvii + 462, price not stated

I

JACK GOODY's new book on the culture of flowers carries his interest in comparative sociology and history into yet another novel and intriguing field of enquiry. As a social anthropologist he has had an unusual intellectual career. For many years he worked on his west African field material, plodding through such routine anthropological topics as family, kinship and property. Then he stretched his wings as it were, and began to take survey of the major civilisations of Europe and Asia, while asking a series of unexpected questions about the significance of the written word,[1] the varieties of cuisine,[2] and, now, the meaning and value assigned to flowers in different places at different times. In a body of work that is so wide ranging in space, time and thematic interest, there are bound to be errors of fact and of argument, and Goody's prose will not win any prizes for rigour or economy of expression. Yet, for its imaginative sweep, its intellectual honesty and its basic good sense, the work as a whole must count among the most impressive achievements of contemporary social anthropology.

Surveying his career as an Africanist, Goody had once remarked to me that it was in India, and not in Europe which is his home, that he was first struck by the singularity of the African attitude to flowers. The Africans, he had noted in the course of his fieldwork, did not care very much for flowers, whereas he knew from experience that the Europeans cared a great deal. But that did not say very much about the singularity of either the one or the other. It was only when he encountered the abundance of flowers in India that it struck him that Europe and India had certain things in common that made them different from the societies he had studied in Ghana and his Cambridge colleagues were studying elsewhere in Africa. He then turned to China and Japan, and found that the same contrast prevailed, with Africa on one side, and China, Japan, India and Europe on the other. Introducing the Islamic world did not alter the contrast fundamentally but it revealed certain complexities that led to a deeper understanding of the ups and downs of the culture of flowers in the successive phases of European history. Here we have comparative sociology and comparative history on a grand scale, with all its excitements and its hazards.

At one level, that of production, technology, capital, credit and commerce—the contrast between the complex societies of Europe and Asia, and the tribal communities of Africa is obvious enough. It is much the same as Braudel's contrast between 'civilisations' and 'cultures'.[3] Goody finds sufficient good sense in the 'materialist interpretation of history' to keep that contrast always in mind. But the matter does not end there, and we are taken, through many twists and turns, from what is obvious to what appears puzzling. Goody has the intellectual temper of the naturalist rather than the dialectician, he likes to explore the unfamiliar but he does not easily let go of the obvious. Like the naturalist, he is interested not so much in surprising or confounding others as in finding things out for himself.

The culture of flowers is governed only partly by material resources, it is governed also by ideas, beliefs and values that have, at least to some extent, a life of their own. It is not simply that flowers are not widely cultivated in Africa for their beauty, colour or fragrance, but that there is so little appreciation of them even in the wild. In Europe and India, on the other hand, and perhaps to an even greater extent in China, the appreciation was extended to wild flowers or flowers of the forest. Thus, the culture of flowers is not confined to their cultivation, but includes their appreciation in the widest sense, in their natural condition as well as in representations of them in various forms. What needs to be stressed in this appreciation is the non utilitarian element whose presence permits inexhaustible possibilities of elaboration.

Given his training as an anthropologist, it is a pity that Goody does not stay sufficiently long with simple or 'tribal' societies and their indifference to flowers. He makes only the briefest foray into Latin America to point to the indifference to flowers along the Amazon and a greater interest in Mexico with its more advanced civilisation. "the contrast between Mexico and the Amazon seems to parallel that between Eurasia and Africa".[4] But the matter is less straightforward, for flowers had some place, as Goody himself points out in the indigenous cultures of New Guinea, and even among the Andaman islanders who knew neither agriculture nor animal husbandry.

At one level, the technology required for floriculture is quite simple and well within the reach of those familiar with the art of cultivation with the hoe and the spade which are technologically less advanced than the plough. There is of course the question of leisure, the lack of which in a community living at a level of bare subsistence may make its members unable or unwilling to find the time for flowers. But it is well known that tribal communities in Africa and elsewhere devote an enormous amount of time to non utilitarian pursuits of one kind or another. Perhaps it is not the availability of time alone, but the presence or absence of a distinctive leisure class that accounts for the kind of difference that we encounter here.

Civilisations provide the necessary conditions for the cultivation and appreciation of flowers: technology, leisure, cultural elaboration and social hierarchy. The remarkable thing is that all of them—in Japan, Korea, China, India, Iran, the various European countries and, presumably, also Mexico—have, with unfailing regularity, elaborated something that may appear in the perspective of many tribal communities as a rather peculiar preoccupation. There are, to be sure, differences that seem as striking as the similarities, for example, the marked contrast between the Islamic world which excludes the use of flowers in religious worship and Hindu India where worship without flowers would be like milk without sugar. The contrasting orientations of Hinduism and Islam may be observed within the history of European civilisation where the attitude to flowers has changed significantly from one age to another.

Civilisations based on Semitic religions—Christianity, Judaism and Islam—have had a far more ambivalent attitude towards the use of flowers than those based on other religions, such as Confucianism, Buddhism and Hinduism,

although few appear to have been completely free from it. One of the most interesting features of the work under review is the manner in which the implications of this ambivalence are traced, primarily in Christianity, but also in Islam and Judaism, and, to some extent, in the contrast between Confucianism and Buddhism. Undoubtedly, civilisations encourage the growth of luxury, but they also generate doctrines that condemn the moral and other evils associated with it. Tribal cultures are in this respect more fortunate: they encourage neither the taste for luxury nor the moral condemnation of it.

Next to Africa, Goody has written most extensively about Europe which is the main object of attention here. In writing about civilisations, whether in Europe, China or India, the anthropologist has to adopt an attitude to data, particularly field data, that is different from the attitude of those who have based their studies on fieldwork in Africa, Melanesia and Australia. In an influential set of lectures broadcast by the BBC in 1950, Evans-Pritchard had laid down rather stiff conditions of empirical research for aspiring anthropologists, including prolonged residence in a given locality, close and continuous interaction with its inhabitants, and the use of only the local language.[5] Goody has of course used literary and historical material extensively; he has also collected material in the field, but less in accordance with the rule-book than in the manner of a shrewd and resourceful scavenger. This book, as well as the earlier one on cooking and cuisine, shows how far anthropology has moved away even in the matter of data collection from the orthodoxy of the 40s and 50s.

Goody's later studies make use of what may be called 'extensive' fieldwork as against the 'intensive' fieldwork that was the basis of his earlier studies of the LoDagaa and the Gonja in Ghana. Extensive fieldwork is a very useful way of collecting material from a society with which one already has a certain familiarity, as I have pointed out while commenting on the work of N K Bose.[6] But it has to be supplemented with the study of literary and historical sources; and it cannot become a substitute for intensive fieldwork, whether one's own or of one's colleagues.

II

The argument of Goody's book is not simply that flowers enter into the life of every civilisation, but that each civilisation makes use of them in its own distinctive way, as offering, adornment and decoration, either directly or through representation in a variety of art forms. These variations are related to the conditions of material life on the one hand and to religious, moral and aesthetic ideals and doctrines on the other. Hence the comparative study of flowers provides a point of entry into the variable and changing relations between material life, religious beliefs and moral and aesthetic values within and between civilisations.

Goody is too shrewd an observer of things to remain wholely immersed in the subtleties of culture without giving any thought to the constraints of natural habitat. Despite the popular image of black Africa as a land of endless forests, it is not very well endowed by nature with flowering plants. China stands at the opposite extreme, with very abundant resources of flowering plants in its natural vegetation. Thus, it may not be entirely an accident of culture that, until the advent of the modern age, the Chinese culture of flowers was probably the most elaborate, whereas the African was the most bare.

Europe too developed a culture of flowers fairly early, although its natural endowment (like that of North America) was not particularly impressive. We should not forget that it is in the very nature of a civilisation that it never depends entirely on its own natural resources for the elaboration of its material, religious and aesthetic life. The comparative study of flowers is an excellent way of showing that civilisations borrow extensively from each other things that are not only of immediate material value but also those that appear to have no practical utility. It provides a healthy corrective to the view that each civilisation is a unique and self-enclosed structure.

A striking difference between Europe and India today is that Europe is a land of bouquets whereas India is the land of garlands. The garland sits easily on the Indian, whether a bridegroom or a politician, whereas the European wearing a garland looks awkward and ill-at-ease in the innumerable photographs taken on ceremonial occasions in India. Yet this was not always so, and garlands and chaplets were freely used in the world of classical antiquity; for a while Alexandria, which was culturally a part of that world, went through its phase of 'garlandomania'. We must of course remember that in classical antiquity, the heart of European civilisation lay next to the Mediterranean and not beside the Atlantic as it does today.

The conversion to Christianity was a turning point in European civilisation, and it had its effect on the culture of flowers. The attitude to many of the traditional practices changed, sometimes drastically, sometimes imperceptibly, partly because they were inconsistent with Christian doctrine but also because of the taint by association with paganism. Goody's account of the attitude of the early Christians to luxury, ostentation, iconic representation and a host of other subjects connected directly or indirectly, and sometimes only very remotely, with flowers, though interesting in some respects, tends to be long-winded. He allows his wandering curiosity to distract him a little too often from his main subject. The significant point that emerges is that with the establishment of Christianity, Europe experienced for several centuries a decline not only in the use of flowers but also in botanical knowledge.

The decline in knowledge and interest can be attributed only partly to the barbarian invasions that overran the civilised regions of Europe. China and, one may add, India suffered from similar invasions without a corresponding decline in the culture of flowers. Goody would assign a much more active role to the civilisation of Christianity than to the depredations of barbarism in the decline of knowledge and interest relating to flowers.

The role of religious doctrine in restricting the use of flowers is seen even more clearly in the case of Islam. In the pagan civilisations of Greece and Rome, and above all, in India, flowers were an integral part of religious worship and ceremonial, in the home as well as the temple. Islam excluded the use of flowers from religious worship more consistently and more continuously than Christianity. It not only excluded the use of flowers directly in worship but also adopted a much more uncompromising attitude towards the icons and 'graven images' that were later to provide a fertile field for the representation of flowers in medieval Christianity.

No civilisation, even considered narrowly as a system of ideas, beliefs and values, has anywhere been confined for long within the strait-jacket of a religious doctrine. Islam excluded flowers from the mosque, but not from the palace. Indeed, Goody shows that Islam remained on the whole more tolerant of the secular uses of flowers than Christianity in its more ascetic and puritanical phases. It is above all to Islamic civilisation that we owe the splendour of gardens, although China had an independent and somewhat different tradition of gardens. And we must not forget that the tulip, which raised such a storm in Europe in the 1630s, was brought there from Turkey.

After a decline that lasted for several centuries, a revival came about in the culture of flowers in the west. "At least in a limited way, by the twelfth century flowers had returned in monastic and

royal gardens, to popular usage and to poetry."[7] The monastery, which was designed to be a retreat from the world and its temptations, played a leading part in the revival of flowers and many other elements of culture whose later development was to turn the very idea of the rejection of luxury on its head. It became a centre for the revival, growth and elaboration not only of knowledge but also of art. "The later monastic garden contained plants of all kinds, including flowers which supplied decoration for the altar and the church generally, as well as being used for medicinal, spiritual and aesthetic purposes. The garden was a place of repose as well as of beauty; its flowers came to be used in services, in crowning priests, wreathing candles and adorning shrines."[8] This appears like a return to the practices of pagan times, some of which must have survived, though subdued, at the level of popular culture.

By the time of the late middle ages and the renaissance, the use of flowers had again become widespread in Europe, in the secular as well as the religious domain, in ceremonial as well as in everyday life. But the culture of flowers did not by any means follow a smooth course of progress thereafter. The reformation reawakened many of the old suspicions about flowers as tokens of luxury and vice. The English puritans were hostile to the use of flowers as well as to their representation in decorative art, and they carried their hostility into the new world. But with the increasing secularisation of the west, flowers came back into use again, aided now by the growing resources of capitalist enterprise. At least as far as the advanced societies are concerned, the market in flowers is now an international market.

The European case is interesting because of the ups and downs in the culture of flowers that can be examined historically in some detail. India had presumably a more even growth and development, or at least the book does not offer for India the kind of historical account that it does for Europe. We need a great deal of careful historical investigation to be able to say whether there have been significant breaches of continuity, where and when they have occurred, and for what reasons. Here, as in other branches of enquiry, many dark patches will probably remain unilluminated due to the sheer absence of historical material.

In moving from Europe to Asia, Goody draws attention to a significant feature of the appreciation of flowers everywhere, namely, its association with cultural elaboration on the one hand and social hierarchy on the other. "The culture of domesticated flowers developed in societies that were literate (in the sense of possessing a system of writing) and stratified (in relation to productive resources), both of which facts had hierarchical effects upon culture generally and upon the culture of flowers in particular."[9] We know from Vatsyayana that, whatever its place in devotional or popular culture, the appreciation of flowers had become part of the life-style of a highly self-conscious elite whose locus was urban rather than rural.

Sociologically, one of the most striking features of the culture of flowers in India has been the presence of distinctive castes and subcastes responsible for their production and supply. In large temples, land was typically set aside for the maintenance of one or more families of malis or phulmalis who had to supply flowers for worship and other ceremonial occasions. The Muslims brought in a different variant of the culture of flowers, associated with the palace rather than the temple, and its effects may be detected even today in the broad variations between the north and the south.

China had on balance probably the most elaborated culture of flowers until the advent of modern times. We have noted that it has been unusually well endowed by nature. Botanical knowledge developed fairly early, and it does not appear to have suffered the same setbacks that it did in Europe. As elsewhere, flowers figured in one way or another in representational art. It was probably in China that the aesthetic side of the culture of flowers reached the highest levels of development in painting, poetry and literature generally. Again, this elaborated appreciation, like the elaborated Chinese cuisine, was a mark of distinction in a hierarchical social order.

Although Confucianism contributed a great deal to the aesthetic appreciation of flowers, it was Buddhism that promoted their use in religious worship and ceremonial. Goody points to a tension between the two great religions in regard to flowers in China itself, and even more prominently in Korea: whereas Buddhism made copious use of flowers on religious occasions, Confucianism recommended a more austere style of worship.

Finally, Communism introduced an attitude of mistrust and even hostility towards the ostentatious use of flowers. "During the Cultural Revolution in Shanghai the Red Guards smashed flower and curio shops, saying that only the rich had the money to spend on such frivolities."[10] The culture of flowers is an obvious target for a militant egalitarian ideology which, like puritanism in the older religions, attacks luxury and ostentation for the few as signs of corruption and vice in society as a whole. The culture of flowers, if Goody is to be trusted, goes rather better with capitalism than socialism, and the opening up of the market is giving a new lease of life to it in China.

III

Despite the novelty of many of his ideas and insights, there is something old-fashioned about Goody's conception of the objective, not to say the mission, of social anthropology as the comparative study of the institutions, ways of life and modes of thought of human beings in all spheres of activity, everywhere. Comparative sociology has had a somewhat strange career in the last six or seven decades. After a great burst of growth in the late 19th century, lasting into the first two decades of the 20th, it drew in its horns, and sociologists and social anthropologists settled down to the intensive cultivation of their respective patches of land. Few of them ventured beyond the territories earmarked for them by their subdisciplines, although most of them paid lip-service to the ideal of social anthropology as comparative sociology. Some praise is due to a person who is willing to undertake a task that the staid and the sober have come to regard as foolhardy.

Durkheim, Weber and others of their generation sought to cover the entire range of human experience in every type of society. Durkheim was a comparativist in practice as well as in principle: his work on suicide analysed material mainly from Europe while his monograph on religion was devoted to the Australian aborigines regarded by him as the most primitive among existing societies. Weber dealt less thoroughly with primitive societies, but he compensated for that, at least to some extent, by his greater familiarity with historical material and his interest in an astonishing range of topics, from music to commercial law.

It goes without saying that Weber and Durkheim were both formidable scholars whose intellectual stamina few can hope to rival. Yet the fact remains that their works are full of errors and inaccuracies. A moderately competent student of primitive religion will be able to identify a dozen inaccuracies in each chapter of Durkheim's book on totemism; and I know an Indian sociologist who has refused to read Weber's book on Hinduism and Buddhism because he has been told by a reliable scholar that it is replete with factual errors. In retrospect, the errors and inaccuracies appear inevitable since the sociologists of an earlier age often stretched themselves beyond their capacities from what appears today as an excess of self-confidence. Yet, on the whole, we are grateful to them for the books that they wrote and for not holding back for fear of making mistakes.

The practice of comparative sociology began to change with the growth of professionalisation in the 20s and 30s Anthropologists and sociologists lowered their sights as they divided up the entire field of human societies and cultures, reserving the primitive (or the backward) for the former and the modern (or the advanced) for the latter Specialisation was aided by the increasing attention to empirical investigations, typically, by the method of participant-observation among anthropologists and of survey research among sociologists Comparative studies continued to be made, but they became narrower in range and scope. Good examples of such studies would be, on the one hand, *African Political Systems*[11] and *African Systems of Kinship and Marriage*,[12] both confined to primitive or tribal societies, and, on the other, Raymond Aron's trilogy[13] in which industrial societies of the capitalist and socialist types are compared and contrasted

The change in outlook is clearly seen in the contrast between Max Weber and Jurgens Habermas, each of whom may be regarded as representing the highest level of intellectual attainment in his own generation within broadly the same tradition of social theory *The Theory of Communicative Action*[14] is intellectually as ambitious as *Economy and Society*[15] and it is in its own way an exercise in comparative sociology Yet its author rarely ventures beyond the confines of the west It is as if India, China and the Islamic world, not to speak of Africa or Melanesia might contain too many snares and pitfalls for the student of western or 'modern' societies

One can think of two reasons why the ambitions of the comparativist came to be scaled down between Weber's generation and Habermas's The first is a psychological reason During the high tide of imperialism European scholars found it natural to believe that they should have the last word on all societies, their own as well as of others there is a more sober assessment today of the limits of the European understanding of the rest of humanity Over and above this, the sheer volume of the scholarly material now available on non western societies tends to discourage the practice of comparative sociology in the grand manner

What Goody's comparative studies lack in methodological rigour, they make up for by clarity of judgment He has refused consistently to make the European achievement the measure of all things, and he has done so in a sober and sensible way, without false pride in his own culture or feigned admiration for other cultures If the besetting sin of classical sociology was its arrogant and disdainful attitude towards non European humanity, the bane of contemporary anthropology is its simulated, not to say hypocritical, appreciation of 'indigenous' peoples and cultures Goody has done well to distance himself from both which are, at the deepest level, perhaps the two sides of the same coin

A characteristic failing of the comparative approach has been to treat all non western societies alike so as to bring into focus the uniqueness of western society[16] It has been one of the principal themes of Goody's comparative approach that this procedure seriously misrepresents the varieties of civilisations and cultures The comparative study of flowers shows not only that each civilisation has its distinctive features, but that civilisations borrow extensively from each other, and, further that the idea of a natural hierarchy of civilisations is misconceived

In an earlier work on marriage and the family, Goody drew attention to the distortions resulting from the preoccupation with the uniqueness of the west and the obsession of the contrast between 'the West and the Rest'[17] One particular implication of the contrast that he finds very annoying is the widespread tendency among anthropologists "to primitivise the oriental civilisations"[18] Until the second war, anthropologists tended to specialise in the study of primitive, pre literate or tribal societies When they added what they called 'peasant societies' to their repertoire, they continued to regard all the societies they studied as being basically similar to each other and basically different from western or modern societies It is against this kind of facile and misleading generalisation that Goody has directed the thrust of his comparative approach

Does Goody then not attempt any kind of generalisation himself? For one thing as he has explained, he would rather work with the distinction between 'industrial and 'pre industrial' than between 'western and non western,'[19] which appears to assign greater importance to technological than to symbolic factors However, Goody is not a proponent of technological determinism or, it seems to me, even of a materialist interpretation of history in the simple sense The differences that he finds to be really crucial are differences of scale which are dependent on knowledge and its symbolic representation as much as on technology One notices here a kind of family resemblance between his perception of the varieties of human society and that of Braudel

What distinguishes 'civilisations' from the more elementary 'cultures'? We must recognise that in the ultimate analysis we are dealing with a continuum, although certain thresholds may be clearly observed when we compare societies across space and time. Its large population size and density, its greater geographical spread, and its deeper awareness of its own historical identity means that a civilisation has a more ample stock of both material and symbolic capital than a society or culture in the simple sense.

In developing his comparative sociology, Goody began with simple societies, and worked his way, slowly and laboriously, into the study of civilisations One of his early efforts was a comparison of practices relating to marriage, property and inheritance in Africa and Eurasia[20] He noted several striking differences between the civilisations of Europe and Asia, and the simpler societies of Africa, all of which are related in one way or another to the marked presence of class and stratification in the former and their relative absence in the latter The far-reaching consequences of practices relating to marriage, adoption and inheritance for the concentration or dispersal of resources were later examined in a historical study of marriage and the family in Europe[21]

New possibilities for the accumulation and concentration of symbolic capital were opened up with the invention of writing Reading and writing have been associated with cultural elaboration on the one hand and social distinction on the other, and the contrast between Africa and Eurasia is plainly visible again on this level The accumulation of knowledge that is made possible by reading and writing is obviously related to the accumulation of material capital but not through any simple chain of causation In fact a close examination of the social and cultural consequences of literacy shows up the inadequacy of the materialist interpretation of history or any interpretation that assigns causal primacy to material over symbolic factors

The book on cooking and cuisine again starts with Africa and moves on to Asia and Europe developing the same contrast along yet another dimension Here also questions of class and stratification are directly addressed Finally, the book takes up the question of the internationalisation of culinary tastes and preferences, foreshadowing in a way the discussion of the international market in flowers in the present work

When one surveys Goody's work, from *Production and Reproduction* to *The Culture of Flowers*, one observes two kinds of movements There is, firstly, the movement across continents, and between the past and the present There is also the movement between the material or utilitarian aspects of culture and its symbolic or representational aspects Goody is never able to leave Africa fully behind even when he is asking questions about

Europe and Asia; and his absorption in the material side of things is frequently interrupted by his urge to take another look at their symbolic aspects. Thus his movements across space and time, and between the material and the symbolic are often meandering and circuitous, and there seems to be neither any fixed point of departure nor any pre-arranged place of arrival. Readers with tidy minds who expect scholars to provide definite conclusions from their research might find Goody's work a little disappointing. Those, on the other hand, who are fascinated by the richness and variety in the human condition will find much in it to delight them.

Notes

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7 Goody, *The Culture of Flowers*, p 146.
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What is Happening in Rural West Bengal?

Agrarian Reform, Growth and Distribution

John Harriss

There have been rather few published accounts of the impact of agrarian reforms and of the political organisation of the CPI(M) in the countryside in West Bengal. This study of the effects of CPI(M) mobilisation and policy in a small part of rural West Bengal is an addition to the modest literature in a field which must inevitably depend on qualitative and restrictive enquiries.

I
Introduction

SINCE the collapse of almost all the communist regimes in the late 1980s the record of the longest lived, democratically elected communist government in the world – that of the Communist Party of India (Marxist) led Left Front coalition in the Indian state of West Bengal – has become even more remarkable. Even this regime's keenest sympathisers would not claim that it has offered, in practice, more than modestly reformist social democratic policies, but its record is still a matter of considerable interest. It has appeared to a good many observers, some of them (such as the World Bank) not at all sympathetic in general to left wing regimes, that the Left Front government has been remarkably effective, in the context of South Asian rural society, in bringing about changes which have been of benefit to poor rural people. Perhaps the definitive statement in this vein is that of Atul Kohli, whose book *The State and Poverty in India* concludes that "West Bengal, ruled by a party that is communist in name and organisation but 'social democratic' in ideology and practice, highlights the redistributive possibilities within India's contemporary democracy and capitalism" [Kohli 1987: 9]. In his analysis of the agrarian reform policies of the Left Front he concludes that (even though power holders accommodate the interests of the propertied classes) "The regime is controlled by a well-organised ideological party. Because this party rests its power on classes other than the propertied, it generates a degree of political autonomy from the dominant classes. This enables regime authorities to push through some reforms of the agrarian social order from above" [Kohli 1987: 143]. Dreze and Sen have argued similarly that " the change in the balance of power in the rural society of West Bengal in favour of the poorer sections of the population, largely as a result of left-wing activist movements, has certainly resulted in a much greater participation of the poor in poverty alleviation programmes" [Dreze and Sen 1989: 107].

The general consensus around this positive view has latterly been disturbed by R. Mallick, who aims to show that it is an illusion, the tenacity of which reflects very badly, he suggests, on the state of the development literature [Mallick 1992]. He argues that writers like Kohli and Nossiter (1988) have erred in their interpretations of data concerning agrarian reforms in West Bengal (legal registration and regulation of sharecropping in 'Operation Barga', and land redistribution), that the record of the state in regard to health and literacy is not particularly good, especially for members of the scheduled castes and scheduled tribes, and, the base of his case, that though CPM mobilisation in the countryside was based on rural 'middle classes', the very success of the party in achieving a stable multi class alliance means that it has come to defend dominant rural class interests. One of the important markers of this dominance, for him, is that West Bengal has " the lowest relative agricultural wages for male labourers of any Indian state" [Mallick 1992: 744]. He argues that this shows that rather than struggling to improve the position of the agricultural proletariat, the communists have instead " tried to control the labour movement within a multi class alliance dominated by rural elite interests".

It is unfortunate to say the least, that in a paper which makes some strong statements about the willingness of those of whom the author is critical, to accept statements of informants at face value, and to allow their interpretations of data to be influenced by their ideological presuppositions, certain key arguments should be susceptible to the same criticisms.

Mallick's case that Operation Barga did not have the success claimed for it by Kohli and Nossiter rests firstly on the counter claims that the Left Front government manipulated estimates of the total numbers of sharecroppers in order to inflate its own performance, and that " an equal number of sharecroppers (1.3 million) were registered by a previous land settlement operation in 1962-65 under the Congress government" [Mallick 1992: 740]. The question of whether there are any reliable data on the total numbers of sharecroppers in the state is ignored, and the only source given for information on what happened between 1962 and 1965 is an interview with a civil servant who is related to Mallick. It would not seem to be stretching a point to say that the jury is still out on the basis of this counter evidence. The further part of Mallick's argument is that the registration of sharecroppers was probably skewed towards CPM sympathisers and big sharecropper landowners and that the rate of sharecropper evictions may well now exceed the recording of sharecropping rights. The argument is largely conjectural, and has to be set against the results of such studies as Kohli's surveys of 300 registered sharecropper households, or findings from village studies [Harriss 1983 and Lieten 1992].

With regard to the record of the Left Front government on the redistribution of land Mallick's case against the view that it has been 'indubitably impressive" (Nossiter) is based on data in a table drawn from a government of India publication from 1985 and a footnote reference to a paper by Nripen Bandyopadhyay of 1983. The inferences drawn from these sources are to be contrasted with later information reported in a subsequent publication by N. Bandyopadhyay (1988, and see Lieten 1990) which supports the view that the West Bengal government does have a good record by comparison with others. But Mallick seems on surer ground when he points out the slight importance of land redistribution both in relation to the total area involved (a point which is confirmed in the results of the wider surveys of six villages in north and south Bengal: " in most villages the areas involved are extremely small, almost marginal (and in terms of increment to in-

come) though not trivial amounts for the very poor (even at best) less than 10 per cent of the official poverty line"; [Gazder 1992: 30-31] and in relation to the potential even in so densely populated a state as West Bengal were a more radical ceiling on landholdings to be introduced. The most recent NSS data on land ownership, from the 37th round in 1982, do show that West Bengal has the highest proportion of marginal and small holdings (those less than 5 acres), but it is still the case that the top 6.9 per cent of households (with more than 5 acres) own 41 per cent of the land, while West Bengal is also one of a minority of states in which, according to these NSS data, the incidence of landlessness increased between 1961-62 and 1982. In 1982 the NSS estimated that 17.21 per cent of rural households in the state were landless, a proportion exceeded only in Tamil Nadu and Maharashtra.

The most questionable aspect of Mallick's use of data to support his own case is his particular interpretation of Jose's analysis (1988) of the series 'Agricultural Wages in India'. He says that the analysis shows that West Bengal has "the lowest relative agricultural real wages for male labourers of any Indian state"– yet one of the major points made by Jose is that it was in Punjab and Haryana that real wages showed stagnancy or even decline over the period between 1970-71 and 1984-85; and the raw data, as analysed by Rohini Nayyar (1991), show that between 1960-61 and 1983-84 both money wages and real wages have always been higher in West Bengal than in a majority of other states. But it is true that over this period West Bengal shows one of the lowest rates of increase in real wages, and there was little evidence – until the publication of Lieten's book late in 1992 (see pp 49-53 on wage struggles) and of this paper—to support the hypothesis (which the scrupulous Gazder entertains, 1992: 32) that agrarian reforms have, by increasing the 'countervailing power' of the rural poor, helped to strengthen their bargaining position in labour markets. Even Kohli, however, though he was "... tempted to conclude that unionisation had made some impact on wage increments", argued that "...improvements in the living conditions of the landless in West Bengal are likely to remain primarily a function of additional employment opportunities" (1987: 142).

Summing up, it seems that the argument about numbers in relation both to Operation Barga and to land redistribution is rather a red herring, and that the arguments of those who are sympathetic to the Marxist-led regime are quite as well founded as the alternatives that Mallick proposes. The significant questions which are left are those of what the impact of agrarian reforms has been, and of whether the CPI(M) in power has effectively sold out to 'dominant rural class interests (Mallick's view) or whether, on the other hand, it has continually pressed against what Ashok Mitra (in an interview with Kohli 1987: fn98) called "the feasibility frontier" in a hostile political environment, and been successful in using its broad power base to benefit poor rural people—though without suggesting that its achievements are other than those of modest reformism. This is Kohli's view, shared by Lieten (who argues that the Left Front government has taken initiatives "...directed at achieving maximum results within the framework of the Indian state [and that] a more radical reconstruction of property relations would have been synonymous with self-defeating brinkmanship"; 1990: 2265),[1] and supported by findings like those of Swaminathan, who has shown that the government has a justifiable reputation for rather efficient implementation of central government poverty alleviation programmes [Swaminathan 1990].

Judgments on the latter question are inevitably political. Mallick is an 'ultra', scornful (like many left-wing intellectuals in West Bengal, as was shown in articles in *EPW* in 1981) of reformism. Kohli and Lieten follow Ashok Mitra in urging the necessity of reformism, holding that there was no alternative. No amount of 'evidence' can ever resolve a dispute of this kind, which involves political judgment. But it is worthwhile asking what the impact of agrarian reforms has been, on power relations as well as on more obviously measurable possible outcomes, such as on levels of living. These are questions which may be tackled empirically. But in fact the evidence concerning these questions is quite thin. Gazder, reporting on his analysis of data from the six villages surveyed by the WIDER project between 1987 and 1989 in its efforts to "...understand the relationship between changes in rural West Bengal and public policy, particularly those policies associated with the Left Front government" [Gazder 1992:1], is able to reach only very tentative conclusions. He regrets "the lack of comprehensive benchmarks" which might permit more definite conclusions to be drawn. The present paper cannot supply a 'comprehensive benchmark', but it does at least present a study of change in one village in Birbhum district over a period from 1958 to 1991, and in this way it offers the possibility of extending some of Gazder's enquiries.

There have also been rather few published accounts of the impact of agrarian reforms and of the political organisation of the CPI(M) in the countryside. The study which follows adds to the modest literature (which includes published work by Bandyopadhyay and Von Eschen 1988; Webster 1990; and Westergaard 1986; as well as by Lieten op cit)—in a field which must inevitably depend on qualitative and restricted enquiries. Generalisations made on the basis of the comments of senior IAS officers, and even of party cadres (which are what Mallick offers), are interesting social facts in themselves but should not be taken to be 'statistical' statements.

The modest claims of this paper are that it offers an unusual historical view of change in a small part of rural West Bengal. It shows up the effects of CPI(M) mobilisation and policy, in fact, in a much more favourable light than the arguments of Mallick, or the analyses of Gazder, would lead one to suspect. Of course, no general statistical claims can be made on the basis of enquiries in one small village, but the findings are significant in showing up the possibilities, or the 'room for manoeuvre', opened up by the CPI(M). Yet the paper also provides strong confirmation for Gazder's view that "If land redistribution was thought to be panacea to the problem of rural poverty, then it has clearly failed in West Bengal. But the failure should be seen as rejection of the view that redistributivist strategies in themselves would eradicate rural poverty" (1992:31); and for my own view, based on research in 1982, that "redistribution alone offers no solution to the agrarian problem of Bengal" [Harriss 1983:51]

II
Production and Livelihoods, 1958-91

In 1982 I had an opportunity to undertake resurveys of two villages in Birbhum district which had been studied in the 1950s and the 1960s by the Agro-Economic Research Centre for eastern India. These were the villages of Sahajapur, near to Bolpur, which had been surveyed in 1956 and 1961; and Jungul, surveyed in 1958 and 1966. My surveys, and re-analysis of some of the earlier survey data, were the basis of a report on changing production relations, agricultural growth and poverty [Harriss 1983]. The report showed, incidentally, that the Left Front's agrarian reforms were being successfully implemented, to the benefit of poor people, but without in any way changing the structure of agrarian power and the ability of (very modestly) rich peasants to appropriate surplus; and, as mentioned above, it at least posed the question as to whether the agrarian impasse in Bengal was to be resolved by agrarian reform alone.

In April 1991 I was able to do a short further survey in Jungul (which I chose, rather than Sahajapur, because the latter had just been the subject of a fresh study by the WIDER team). In the time availa-

ble I was unable to attempt a complete survey and, instead, followed up a random sample of one-third (40) of the 117 households which had been present in the village in 1982 The details are shown in Table 1 It seems fair to conclude that the results of the study of the sample well represent conditions in the village in 1991

Jungul is a small village situated five miles away from the small town of Nalhati, in north Birbhum, and only two miles from the border of West Bengal with Bihar It is in an area which was still forested until relatively recently, and the landscape is even now more wooded than that of the southern part of the district and neighbouring Bardhamman Its relative isolation was reduced by the metalling of the road which runs nearby at the beginning of the 1980s, but there are still not many buses passing by each day so that it is not all that well connected with the towns of Nalhati and Rampurhat Yet it is not a 'backward' village, and I found in 1982 that it had absolutely more graduates and college students than the better connected and larger village of Sahajapur

At first, when I arrived in the village by cycle rickshaw in April 1991, I thought that I had come to the wrong place. Then I realised that the reason why the village did not seem familiar was because I had arrived in a part of it in which nine years earlier there had been only very small single room huts, whereas now there were many well built double storey structures surrounded by substantial compound walls This change gave a clue to the significant changes which have taken place, and which have made many of the poorest village families better off The problem is to tease out an explanation for this improvement from the skein of factors having to do with technological change and those relating to direct government interventions

Land Ownership Operation and Reform

In 1958 landowners in Jungul leased out as much as 30 per cent of the land they owned, most of it on the basis of a 60 per cent share of the crop accruing to themselves with 40 per cent going to the tenant, who also paid the costs of cultivation (Table 2) Already by 1966 the amount of land leased out had declined to 10 per cent of the total area owned, and by 1982 it had declined to only 3 5 per cent Throughout Jungul cultivators had together leased in more land than they leased out, but here too the proportion of the total operated area had declined sharply, from over 37 per cent in 1958 to 15 per cent by 1982 There were then still 19 cultivators who leased in some land as sharecroppers (25 per cent of Jungul cultivators) The largest extent leased in by one cultivator was 3 33 acres, and the average was 1 47 acres Seventeen were registered bargadars, seven had paid no rent at all for at least three years, and only three continued to pay the old crop share of 60 per cent The owners of the land included cultivators in nearby villages but also absentee owners employed in Dhanbad and notably the former zamindar of the village The only two owners living in Jungul were two brahmin purohits

By 1991 according to the evidence from my sample sharecropping a proportion of the operated area remained about as significant as it had been 10 years earlier which at least supports the view that Operation Barga has been successful in securing cultivators' rights All 10 sharecroppers were registered as bargadars, six paying the standard quarter of the yield, two a small fixed kind payment, and two nothing at all In Jungul as in Sahajapur also [see Harriss 1983 20 21], sharecropping had declined sharply in importance already in the 1960s, well before the Left Front government came into office The change evidently came about as a result of the landowners' responses to perceived and real threats to their command over land and, according to the AERC investigators who did the re studies of 1961 and 1966 in Sahajapur and Jungul, because of the increased productivity of agriculture after the introduction of protective irrigation In these villages by the time that 'Operation Barga took place sharecropping was no longer a major issue, and its implementation cannot be seen as having constituted a major challenge to the agrarian power structure The WIDER village studies suggest that the same picture obtains more widely Gazder notes that (in the six villages studied) "There has been a marked shift from tenant cultivation to agricultural labour" (1992 40) apparently reflecting the resumption of land by owners at an earlier stage, as in Jungul To this extent the village studies may be considered to support Mallick's arguments about the significance of earlier interventions in sharecropping under Congress regimes

But what is most striking in Jungul (and in other villages, according to the WIDER surveys) is that though sharecropping of the old type is not of major significance, short term leasing of land for the cultivation of small areas of sugar cane, for second crops of potatoes and relatively high value vegetables, and latterly and most importantly for the cultivation of 'boro season paddy has become more important I noted in 1982 that

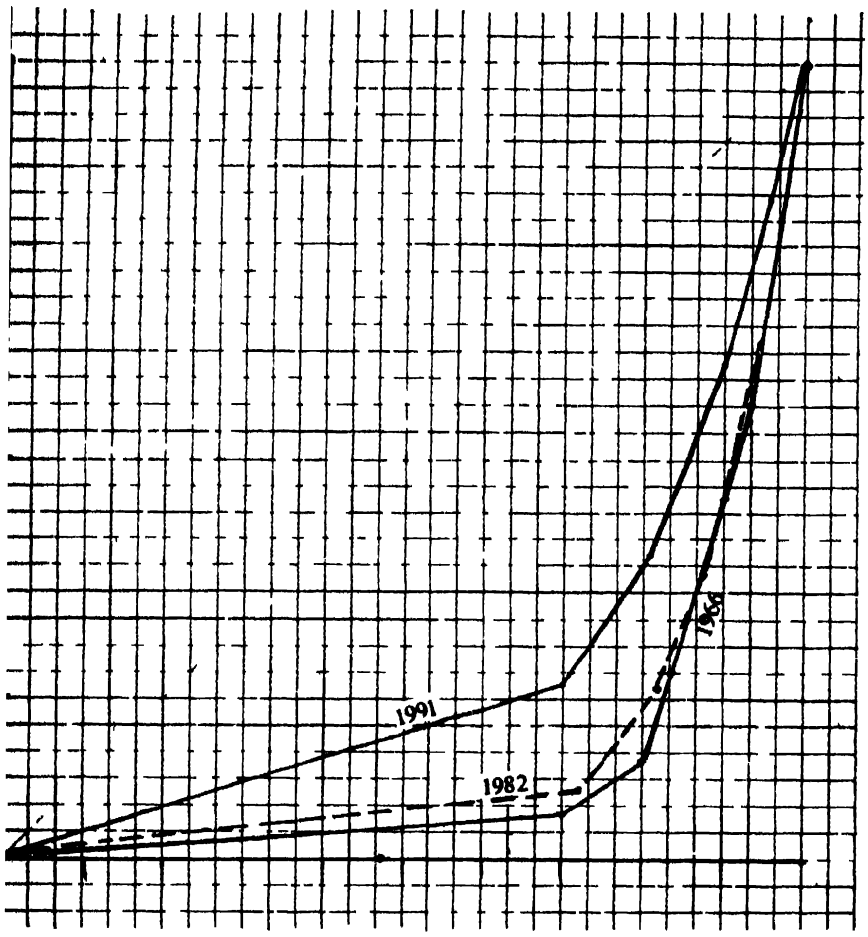
> these are [based on] temporary contracts covering small plots of land, sometimes on the basis of (50 50) product and input shares and sometimes on what is called the joma system whereby, for example five kattas (about 0 08 acre) are borrowed for the cultivation of sugar cane in exchange for the payment of one-and half maunds of paddy The most significant kind of leasing in present day Jungul is the leasing in of a few bighas of land each by those who are basically agricultural labourers for the cultivation of boro paddy when water is available for this The land usually belonging to outsiders is leased out for a 50 per cent share of products and inputs on a purely temporary basis Given the rates of return which can be obtained from boro' cultivation some labourers have been able to make sufficient profits from the leasing of land in this way as to have allowed them to have purchased small plots of land for themselves [Harriss 1983 37]

This practice has become more extensive during the 1980s In my sample 10 were leasing in land for the cultivation of boro paddy in 1991, seven of them having previously been landless but all having by now purchased land Short term leasing (of which Gazder notes that there is 'a good amount in the villages in the WIDER study with perennial ground water irrigation, 1992 11) has become more important and come to involve village as well as outside landowners, as ground water irrigation has been developed over the last decade There were no shallow tube wells in Jungul in 1982 Now there are four shallows amongst the households in my sample, at least twice as many oil engines for pumping, and 14 STWs in total

Table 1 The Jungul Sample

1982 total 117 households	sample of 40 households
*1982 total 40 households (sample)	1991
same 27	27 households
descendant 4	4
splitting 8	21
died out 0	0
left 1	0
	52 household 30 per cent increase (i e would expect 152 household in the village c/ 155 in panchayat records)
Population 1982 224 (M 111 F 113) (from village total 671)	1991 270 (M 132 F 137) (therefore expect village total of 748 c/ between 700 and 750 according to panchayat)

FIGURE 1 LAND OWNERSHIP DISTRIBUTION IN JUNGUI (SAMPLE 1966-91)



The village was at last electrified five years ago (1987) and there is now one electrically powered shallow tube-well Landowners are quite clear, in discussion, that it is in their interest to cultivate some of their lands in the 'boro' season through short term rental contracts, rather than themselves employ ing labourers for cultivation From their point of view it is a piece rate labour con tract, which reduces the costs of recruiting and supervising labour for all operations though particularly for irrigation and crop protection, and especially in circumstances of fragmented holdings. The word used for this type of renting in the Bardhamman villages in which both Rogaly and Webster worked was 'thika', which the dictionary defines as 'piece rate and which is the word used for individual piece rate daily labour contracts in Purulia villages (personal com munication, Ben Rogaly)

Already, by 1982, the incomes which some labourers had obtained from 'boro' paddy cultivation had begun to have some impact upon the agrarian structure. Analysis of data on landownership (see Table 3 and Harriss 1983 Figure 4) showed that there had been some increase in the concentra tion of land ownership between 1958 and 1982, as the numbers of very small holdings had increased while on the other hand the richest cultivator had acquired almost as much land on his own I noted

> In the very recent past eight labour households have acquired land (up to 0 66 acres) as a result of the investment of the proceeds of 'boro paddy cultivation and from the sales of young bullocks, while another thirteen people have acquired vested land under the land redistribution program mes (The practical effects of the acquisi tion of these small plots of land will be con sidered later) The essential point here is that the agrarian reforms of the last thirty years have left the structure of local power intact The village is still dominated economically as it is to some extent socially also, as well as spatially by three Sadgope families who live in a compound extending over more than an acre [Harriss 1983 38]

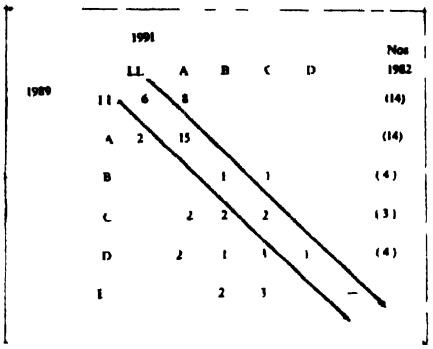
The Sadgope families are still there (in 1991), but their influence is not as pre ponderant as it was, partly because of the more egalitarian distribution of land in the village which is shown in Figure 1 (on the distribution of land ownership) and in Figure 2 (a land ownership transition matrix) This is the result of the extent to which as the matrix shows, households which were landless in 1982 have been able to buy land Seven of the 14 landless households of 1982 have purchased between them 3 55 acres, and six of the 14 households with less than 1 25 acres in 1982 have purchased between them another 2 3 acres. The amounts of land involved are ob viously small, but the fact that as many as 50 per cent of the land poorest households in the village—or one third of village households, according to my sample data have been able to purchase land in the last 10 years is historically very signifi cant The land, purchased at prices rang ing between Rs 6,000 and Rs 1,800 per acre, has been acquired in all cases as a result of a cycle of accumulation which depends on income from leasing in land to cultivate boro paddy, and the raising of goats for sale, followed by the raising of young bullocks It has usually then been the sales of the bullocks which have immediately made possible purchases of land

The impression of improvement in levels of living in Jungul which I obtained from observation of a lot of housebuilding, and the better quality of the housing of many of the poorer people by comparison with what I had seen in 1982, was confirmed not only by this evidence of a historically impressive level of land purchase by poor people, but also by their own accounts Most of the poorer people in the sample volunteered the view that they are now bet ter off than they were in 1982. They are bet ter off, as they see it, because they have more food now', have 'better clothing 'bet ter housing', 'have stocks of paddy or (in several statements) no longer need debt referring to paddy loans repayable with 50 per cent interest after harvest, or paid off at this rate in days of work And they are better off they think, because they now have land of their own, or are able to raise bullocks or cultivate 'boro' paddy or because of 'higher wages', or (in a few cases) because of 'having vested land' (i e, being a beneficiary of redistributive land reform) What is most important in accounting for improvements in the well being of the poorer people of Jungul? And what is the political significance of the changes that have taken place?

CHANGING LIVELIHOOD PATTERNS

My analysis of the ways in which dif ferent classes of households in Jungul in 1982 made their livings showed the follow ing There were small but systematic dif ferences between landless agricultural labourers and those who were described as 'allotment holding labourers'—those with small plots (including vested land) But per sonalised labour relations were generally im portant, and possibly more so for the allot ment holders than for others Long term labour attachment seemed no longer to oc cur, but most labourers depended to some extent upon small paddy loans secured

FIGURE 2: LAND OWNERSHIP TRANSITION MATRIX (SAMPLE 1982-1991)



against future work and a sizeable minority described themselves as being 'regular' workers for particular cultivators I calculated that village cultivators supplied 60 per cent of labourers' credit requirements, about 40 per cent of them in the form of paddy About 50 per cent of paddy advances were reportedly repaid in work at par with the then going wage rate, while the other 50 per cent involved some amount of effective interest [4] I reported perhaps rather innocently "There are some labourers who said that they always have a backlog of labour days to be 'repaid', and who are thus subject to a loose kind of bondage" (1983 41) It seemed that their allotments did little to relax the labourers dependence upon the rich peasants of the village, and that access to formal, institutional credit was still restricted for them Other income sources were limited to the possibilities for general labouring notably in land levelling, or in local brickworks, but fishing during the monsoon season, the raising of small livestock, and leasing in of small amounts of land for growing vegetables or sugarcane all made some contribution to many household budgets (In contrast with villages in many parts of Bengal incomes from labour migration were evidently not significant here) It seemed that since 1958 the amount of work available had declined but that labour incomes had increased, nonetheless, because of higher real rates of daily pay "If the daily wage rate in Jungul had not been pushed up by strike action and had remained as low as it is elsewhere in the vicinity of the village; labour incomes would have fallen by about 13 per cent (in terms of paddy equivalent) as (it was found they had) in Sahajapur" [Harriss 1983 39]

The evidence showed that poor peasants were scarcely less dependent upon the few rich peasants of the village than the labourers, and that they ended up handing over about 30 per cent of the paddy they produced to the rich peasants in forms of 'deria' payments, rents, and payments for the use of draught cattle Middle peasants, too, transferred significant amounts to the rich peasants, who thus controlled other people in the village as well as a large share of the total paddy produced within it Given this control they were in a position to obtain speculative trading profits, by storing for sale when prices were at their highest in the lean season In 1981 82 the price difference between the time of the main harvest and even the month of Falgun (February March), early in the lean period, was 51 per cent which seemed exceptionally large by comparison with observations of prices elsewhere in India (see Harriss 1983 45, referring for the comparisons to market studies by Barbara Harriss) It was calculated that as much as 36 per cent of all the paddy marketed by Jungul cultivators would be sold by 10 rich peasant landowners at peak prices Thus it was argued that though agrarian reform had drastically changed agrarian production relations in Birbhum from those analysed by Bhaduri in his model of 'semi feudalism', the system of appropriation of surplus that he had sought to define in this way, effectively survived intact " while the system of advances does not necessarily constitute a powerful siphon of surplus product, it certainly secures the appropriation of surplus for speculative trading by the dominant classs" [Harriss 1983 47]

By 1991 paddy advances and paddy loans were much less significant than they had been In interviews with 52 households I was able to uncover only three cases of 'deria' paddy loans, involving a middle peasant and downwardly mobile rich peasants People spoke of such loans as things of the past Given that they had been talked of quite easily as a well known fact of life in 1982 I am inclined to believe that there has been a real change in this respect Small paddy advances on wages are still significant but apparently less so than 10 years earlier, only 40 per cent of the agricultural labour/poor peasant households requiring them, while in no case was there any suggestion of interest being paid in the form of additional days work because of receiving a wage at less than the current rate [5] Again it did not appear in 1982 that this was an especially sensitive area in interviews, so that it seems fair to conclude that this is another real change that has taken place.

The much lesser importance of paddy loans and advances shows, I believe, that the extent of control exercised through command over credit by the rich peasants has been greatly reduced At the same time the paddy price differential is lower than it was Weighted average prices received in Jungul in the month of Kartik (October November) in 1981 were Rs 110 per quintal, and in Falgun 1982 (February-March) Rs 166, a difference of nearly 51 per cent The prices in the same months in 1990 91 were Rs 200 and Rs 244, a difference of only 22 per cent The extent of potential speculative profit is apparently less than it was [6]

The evidence is far from being definitive but it does quite strongly suggest that the extent of personal dependency is much less in Jungul now (1991) than it was 10 years earlier, and this is the impression which I took away from my interviews. The vesting of land following land redistribution has helped The 10 holders of vested land in the sample had received between them only 2 27 acres, but this represented 2 8 per cent of the operated area (considerably more than was found in the villages surveyed by the WIDER project Gazdar 1992 Table 15) Land reform in Jungul, any more than elsewhere in West Bengal, has not brought about any radical change at all in the structure of land ownership But it has made some contribution to the livelihoods of the poor, scheduled caste households who have been the beneficiaries (see also Gazdar 1992 Table 16) Credit programmes have also helped Eight of the agri-

TABLE 2 JUNGUL MODE OF OPERATION OF LAND (1958 1991)

	No of Households			Total Land			No of Households			Total Land		
	Owning Land	Leasing Out	(Per Cent)	Owned	Leased Out	(Per Cent)	Cultivating	Leasing in	(Per Cent)	Cultivated	Leased in	(Per Cent)
1958	36	9	(25)	151 7	45 7	(30)	38	21	(55)	169 4	63 4	(37)
1966	44	na		142 1	14 8	(10)	45	na		175 4	48 1	(27)
1982	83	3	(4)	167 2	5 9	(3 5)	78	25	(32)	187 9	28 7	(15)
Sample												
1982	26	0		63 0	0		29	8		76 3	13 3	(17)
1991	42	0		67 1	0		49	10		80 4	13 3	(17)

Note Land areas are given in acres

TABLE 3 : SECTION 1—DISTRIBUTION OF OWNERSHIP HOLDINGS (1958-1991)

	Sample										Sample					
	1958		1966		1982		1982		1991		1958		1966		1982		1982		1991	
	House holds	Per Cent	House holds	Per Cent	House holds	Per Cent	House holds	Per Cent	House holds	Per Cent	Area	Per Cent	Area	Per Cent	Area	Per Cent	Area	Per Cent	Area	Per Cent
Landless	34	(49)	37	(46)	34	(29)	14	(35)	10	(19)										
0.01-1.25	8	(22)	18	(41)	52	(63)	15	(58)	26	(62)	5.33	(4)	13.6	(8)	20.6	(12)	5.6	(9)	14.8	(22)
1.26-2.50	8	(22)	9	(21)	13	(16)	4	(15)	6	(14)	13.1	(9)	15.0	(11)	20.5	(12)	7.3	(12)	10.6	(16)
2.51-3.75	3	(8)	3	(7)	1	(1)	—	—	5	(12)	9.8	(7)	8.9	(6)	3.3	(2)	—	—	15.7	(23)
3.76-5.00	6	(17)	4	(9)	6	(7)	2	(8)	3	(7)	26.0	(17)	19.5	(14)	25.4	(15)	9.0	(14)	13.7	(24)
5.01-7.50	4	(11)	7	(16)	7	(8)	3	(12)	2	(5)	24.1	(16)	45.0	(32)	44.6	(27)	18.7	(30)	12.3	(18)
7.51-10.0	4	(11)	—	—	2	(2)	1	(4)	—	—	36.4	(24)	—	—	19.4	(11)	8.3	(13)	—	—
10.01-15.0	3	(8)	2	(5)	1	(1)	1	(4)	—	—	37.0	(24)	25	(18)	14.1	(8)	14.1	(22)	—	—
15.01	—	—	1	(2)	1	(1)	—	—		—	—		16.7	(12)	20.0	(12)	—	—	—	—
Total	36	(land owning)	44		83		26		42		151.7		142.1		167.2		63.0		67.1	

Note Percentages shown for landowning households are per cent of total number of such households

cultural labour/poor peasant households in the sample had been beneficiaries of DRDA loans of on average Rs 6,500—larger sums (allowing for inflation) than members of such households had been able to secure in 1982. The loans, which had reached intended beneficiaries, were used in most cases for the purchase of bullocks.

But probably of greater importance in accounting for the change which I have observed in Jungul than either credit made available under poverty alleviation programmes, or the distribution of vested land, have been the effects of organised action in increasing real wages. I noted (see above) in 1982 that had it not been for strike action led by the CPI(M) union real wages in Jungul would have fallen as they seemed to have done in some neighbouring villages. Labour organisation seems further to have increased real wages in the village. In 1982 the ratio of wages (then Rs 8.5) to the price of paddy in Falgun (Rs 166) was about 1.20. In 1991 the same ratio was 1.12 (with wages at Rs 22 per day for men, and Rs 21/25 for women, against the paddy price of Rs 244). The data I have on the availability of employment in 1991 are probably even less reliable than those which I was able to obtain in 1982 (in both cases having to rely on recall), but it seemed more likely to be the case that it had declined than the reverse (90-100 days of employment in the year, on average, being reported as against the figures of 146 days for agricultural labourers, and 120 days for allotment holders which I obtained in 1982). This of course might be set against the evidence I have just given on the increase in the real wage, as suggesting lower labour incomes, but then on the other hand it must also be remembered that these people are less dependent on labour incomes than they were. Elsewhere, certainly, increased agricultural investment, such as has occurred in Jungul, has in turn led to increases in cropping intensity and to increased demand for labour (Ben Rogaly, personal communication).

How Important Have Politics Been? How Important Irrigation?

The data which are reported in this paper are far from being comprehensive but I believe that they do sustain the argument that there have been improvements—even quite striking improvements—in the well being of poor rural people. They certainly do not permit either static or dynamic analysis of the components of household incomes that would provide some test of the relative importance of vested land, formal credit and wages, as opposed to incomes deriving ultimately from the increases in production that have come about as a result of investments in the last decade in groundwater irrigation. Crudely, this would be to compare the importance of political interventions through agrarian reforms with the results of technical change. The feasibility of any such quantitative exercise is anyway doubtful. The point that I think does emerge is that the successful change which is observed in Jungul in the 1980s cannot be shown to have followed at all directly from the agrarian reform programme of the Left Front government. Almost certainly the upward pressure on agricultural wages which has been maintained in the particular case through direct action organised by the CPI(M) union (reported to me by both rich peasants and labourers), has been more important. More important too has been the expansion of the productive potential through the development of groundwater irrigation. The two are probably related, for we may hypothesise that it is because of the 'countervailing power' of labour in Jungul that landowners have chosen to operate land in the boro season through short term leasing, thereby setting up an important income generating opportunity for labourers. Politics are important therefore, and it is surely significant in the Jungul story that the first elected member of the panchayat after the Left Front government came to power, was a CPI(M) supporter from the low ranking malo community. He was subsequently the panchayat pradhan in a panchayat which has always been dominated by the CPI(M). It cannot be coincidental that his family has acquired a comparatively large amount of land, a shallow tube well and an oil engine, or that he himself should now have secured a position in government service. But it is only to be expected (according to local views) that an office holder should derive some personal benefits from his position, and the former pradhan was in no way ever identified with the sadgope rich peasant families. In this particular case there is an identification between the party and the panchayat and the rural poor, which survives even though the current panchayat member for Jungul is the son of a (baishnab) rich peasant--opposed, however (which may be crucially important) to the historically dominant sadgopes. The support of the party and the panchayat have unquestionably been important in the struggle to maintain wages, and this in securing the greater freedom from personal relations of dependence which is observed in the village.[6]

In sum, then the case of Jungul seems to show that the agrarian reform programme of the Left Front government has been less important in relation to livelihoods than action relating to wages (though reforms may well have contributed to the political support which has made action on wages possible). It also suggests that the development of groundwater irrigation - or the expansion of the productive forces - has been of vital significance. It is this aspect of agrarian change in West Bengal in the 1980s to which we now turn.

West Bengal's Belated 'Green Revolution'

The backwardness and low productivity of agriculture throughout the eastern region of India (including West Bengal, Bihar, Orissa and Assam) is well known. It is summed up in the calculation by Bhalla and Tyagi (1989) that this region contributed only 4 per cent of the total increment in foodgrains production when the period 1980-83 is compared with 1970-73 (compared with the north west's contribution of 70 per cent) and only 8 per cent of the increment in the period between 1964-65 and 1980-83. And it is widely argued that expansion of irrigation obviously has a key role in any strategy to quicken the pace of development (the quote from Vaidyanathan 1988: 40 but see also the extended argument in Boyce's *Agrarian Impasse in Bengal* 1987). Expert opinion holds that

> Rapid development of groundwater—of which there is by all accounts an abundance in (the eastern region) which is entirely within our control and which can significantly increase dry season cropping and yields, would seem to offer the most promising line of advance in the immediate future. That development of groundwater is slow despite the apparent potential is puzzling. According to the Sen Committee, less than a third of the potential has been exploited in this region [Vaidyanathan 1988: 43].

Various scholars have sought an answer to the puzzle to which Vaidyanathan refers. He himself sums up the arguments. "[plausible reasons include] the relatively low returns to irrigation under the agro-climatic conditions of this tract, the predominance of small holdings, a high level of fragmentation and the insecurity of tenants' rights over the land they cultivate" (1988: 43). James Boyce puts forward a slightly different argument, suggesting that intra group inequalities in Bengal make it extremely difficult to resolve the various technical problems that are involved (in efficient groundwater irrigation) through the necessary collective action.

These authors were writing just before the striking development which has taken place in West Bengal agriculture since the mid-1980s, a development which has rather falsified their hypotheses. By November 1988 there were 3,66,542 shallow tube-wells in West Bengal according to the State Water Investigation Directorate (government of West Bengal, *Economic*

Review 1989-90, Statistical Appendix). This compares with 2,20,000 in 1985, and 1,55,000 in 1981. So there was an increase in their numbers of 42 per cent between 1981 and 1985, and then another increase of more than 60 per cent between 1985 and 1988. The *Economic Review 1985-86* noted that agricultural output in 1984-85 reached record levels for the state, and that this performance was the result of increased productivity rather than being because of increases in the cropped area. Confidence was expressed that the rising trend of agricultural production would continue because "The year 1984-85 was, rainfall-wise, not significantly better than 1983-84", and the reason for the significant change in agricultural production was found in the steady build-up of irrigation potential, especially involving minor irrigation works (including both groundwater and surface projects). Data (in the *Economic Survey*) show additional minor irrigation potential of more than 50,000 hectares as having been created every year since 1982-83 (the major share of it being supplied by groundwater). And the confidence that was expressed in the future of agricultural production in West Bengal seems to have been justified, according to state-level production data, as production increased almost continuously from year to year in the later 1980s. The *Economic Survey* for 1987-88 noted that "for the fourth year in succession foodgrains production maintained a level above 90 lakh tonnes", in spite of difficult weather conditions, and pointed out that "this resilience against adverse weather conditions has been a marked feature of the agricultural sector in the state in recent years". Increases came about notably because of consistent improvements in rice production, including increases in yields of the main 'aman' crop, and the steady increase in the acreage under high yielding 'boro' paddy. The latter meant that whereas in 1978-80 boro paddy production amounted to 13.6 per cent of the aman production, by 1986-88 it had increased to be very nearly a third as large as the increased aman paddy production [Harriss 1992, citing Palmer-Jones]. More recently it may be that increases in aman production have become relatively more significant than those of the boro paddy (this is argued in the *Economic Survey* for 1989-90), but there is no reason to doubt that West Bengal's extremely good performance in increasing foodgrains, especially rice, output in the second half of the 1980s, was due especially to expansion of boro production, and that this in turn was due to the expansion of groundwater irrigation. An analysis by C H Hanumantha Rao shows that West Bengal's performance in growth of foodgrains output was as good as Punjab's and better than that of any other state apart from UP over the period 1977-78 to 1988-89 [Rao 1992].

There has been a turnaround in the agricultural performance of West Bengal since the mid-1980s and since the time at which Vaidyanathan and Boyce were writing. The question which then begs to be answered is that of how and why this historic change came about. West Bengal has at last experienced the 'green revolution', to an important extent because of the tapping of a groundwater potential which has long been recognised but little developed. Why was it that West Bengal cultivators at last began to make use of this potential?

The government of West Bengal argues that "The persistent improvement in agriculture production and the all-round development of the rural sector in recent years as reflected in the rising income from the rural sector in general and more specifically from the agriculture sector, indicate that fundamental and structural changes have taken place in the rural sector of the state which has [*sic*] unleashed the latent productive forces which hitherto could not be harnessed into the productive process in the rural areas. These fundamental and structural changes are related to the development strategy followed in the State..." (*Economic Survey*, 1989-90, p 13). And the statement goes on to emphasise land reform measures which "...bring about a structural change in the rural areas not only through a more equitable distribution of land...but also by subverting the hold of the rural gentry on the rural economy" (p 14). This 'productionist' perspective quite ignores the power of mercantile capital (as opposed to 'the rural gentry') in the West Bengal rural economy (see note 1). It is said that "This strategy is firmly based on the strong empirical evidence of higher per acre production record of the poor working farmers". How justified is this quite classical view of the way in which agrarian reform may unleash the productive forces?

The evidence in Gazder's paper, taken from the WIDER surveys, or that in my own work on Sahajapur and Jungul [in Harriss 1983; and above], does not supply much support for these arguments. Agrarian reforms have not been nearly radical enough to have really created "a more equitable distribution of land", and there is not a lot of reason to suppose that "the stranglehold of the landed gentry" has been very seriously shaken in the last 10 years (insofar as the phrase means very much at all). Though I do think that the sharp reduction in the significance of personal dependence in Jungul over the last 10 years is important, I am unable to specify the ways in which it may have contributed to increased output and 'unleashing the productive forces'. The 'unleashing of productive forces' in Jungul and in other villages that I visited in 1991 in Birbhum and Bardhamman seems to have had much more to do with groundwater irrigation. The connection between such reform as has occurred and the development of groundwater is not immediately apparent.

The implication of statements made in the previous paragraph is that interlinkage of contracts may not have well defined implications for productivity. A recent study of the interlinking of contracts between water-buyers, water-sellers and merchants in a Tamil village shows clearly that such interlinkage is not incompatible with agricultural dynamism. The author concludes: "While Bhaduri advanced the phenomenon of interlinkage as an explanation for agrarian stagnation, this paper demonstrates the centrality of the phenomenon in a regime of agrarian dynamism" [Janakarajan 1992:190]. In the Tamil village interlinkage does have profound implications for distribution and both reflects and enhances of the coercive power of the larger landholders who are also water-sellers. I found no evidence to suggest that water-sellers in villages in Birbhum and Bardhamman enjoy such (apparently quite formidable) coercive power as their counterparts in Tamil Nadu, though those who lease out land and sell water for boro paddy may obtain unpaid labour services (in pump operation and water distribution, carried out by their short-term tenants). We may at least hypothesise that the difference between the Tamil Nadu and West Bengal cases has to do with political context and the reduction of personal dependence in Bengal in the last decade.

Development of Groundwater Irrigation

In 1985 the government of West Bengal signed an agreement for an IDA credit of $ 99M for the five-year period to 1990, for the installation of deep and shallow tubewells, some dug wells, and improvements to conveyance systems of river lift schemes. In the *Economic Survey* for 1985-86 it was noted "...that the World Bank has agreed that the STWs and dug wells would be constructed, operated and maintained entirely under the supervision of the Panchayat Samitis with the collection of water rates (and the maintenance of the structures) devolving onto the panchayats". Lieten reports that an Irrigation Workshop was held in Birbhum district two years earlier (in 1983) which brought together bureaucrats, technocrats, panchayat representatives and field level workers. It made various recommendations to the zilla parishad aimed at a 5 per cent annual increase in irrigation coverage. And in practice effective coverage went up from 2.1 lakh hectares in 1983-84 to 3.6 lakh hectares by 1986-87 (an increase of

more than 70 per cent over three years). According to the proposals emanating from the workshop shallow tube-wells were to be handed over to the panchayats for operation and maintenance (as in the government statement in the *Economic Survey*) It also advised that "As most of the beneficianes will be bargadars, small and marginal farmers and assignees of vested land, shallow tube wells for these individual farmers will not be financially viable In such cases the panchayat must form groups of prospective beneficiaries" [Lieten 1992 188, citing the report of the Irrigation Workshop] And now it is sometimes claimed (as, for example, by Bengali scholars who attended a work shop held in the School of Oriental and African Studies in London in July 1992) that the development of groundwater irrigation has been undertaken substantially under the aegis of the panchayats If this is the case then the government's claims about the significance of the reforms it has undertaken might be justified

But in Jungul and in other villages which I visited in Birbhum and Bardhaman groundwater irrigation from shallow tube wells has little to do with the panchayats except insofar as it is necessary to obtain permission from the panchayat before making an installation Cultivators say, however that it is possible to get round this restriction by going to the district agricultural officer, or by paying 'something' at the panchayat In none of the villages that I visited did I encounter any suggestion that panchayats had prevented anyone from installing a shallow, that panchayat subsidy had been a particularly important factor in financing the development (though in one village panchayat subsidies had made investment in irrigation by two scheduled caste families possible but this was the exception that proved the rule of private investment), or that there had been any organisation of construction, maintenance or operation by panchayats Lieten reports that in Birbhum district as a whole the panchayat based approach advocated by the 1983 Irrigation Workshop " seems to have worked" (1992 188) But he does not say on what basis he makes this claim, and reports of the Muhammad Bazar block in which he worked that " the STWs remained in private hands" (1992 188) It seems that in this part of West Bengal, at least, the expansion of shallow tube-well irrigation has involved private initiative and private investment, quite extensive short-term leasing of land (in what is very often a kind of labour contract, such as those which I described above, in Jungul), informal land consolidation (as individuals have agreed to swop plots in order to consolidate a block of land around their shallow tube-wells), and the development of water markets, rather than panchayat organisation [7]

The village Kuchly (in the WIDER sample), for example, now has 14 shallow tube well installations, in the hands of 12 owners (10 of them rich peasants from the Sadgope community), and including two operated by submersible pumps In the boro season of 1990 91 each one of these irrigated from 6 to 10 acres Within the command areas of the wells the amount of land belonging to the well owners was rarely as much as half In a few cases the owners leased in some additional land, but leasing in was much less important than the selling of water, then at a standard village wide rate of Rs 400 per bigha (one third of an acre) for the season [8] An impression of the economics of the operation may be derived from the following case

The owners of the one of the submersible pumps had recently paid Rs 35 000 for it, replacing an older electric pump and funding the purchase from the sale of this old pump together with paddy sales No loan had been involved In the boro season in early 1991 they were irrigating 29 bighas (7 66 acres), in an estimated command area of about 60 bighas The actual irrigated area included only five bighas of their own paddy and a further two bighas of mulberry For the remaining 22 bighas that were being irrigated they were receiving Rs 400 per bigha for the season From the cash income of Rs 8 800 they would have to pay an estimated Rs 2,000 for maintenance, and a fixed electricity charge of Rs 1,100 for the year s operation The profit of Rs 5,000+, added to the profits from their own production, of around another Rs 5,000 means that their investment in the pump will soon be covered

Elsewhere, in village Asinda in Bardhamman, I found evidence of informal land consolidation to create larger blocks of owned land around tube wells (as well as water selling) One owner whom I interviewed was irrigating 16 bighas from one shallow 12 of them obtained through land exchanges with altogether four other landowners Another cultivator reported having been involved in the exchange, altogether, of 14 bighas By their own accounts these informal arrangements had been stimulated by both the development of tube well irrigation and the advantages of cultivating compact areas after the introduction of tractors for land preparation Such informal consolidation is probably facilitated by the homogeneity of landtype in this area of extensive tracts of canal irrigated paddy land

The profitability, however, of shallow tube-well irrigation is apparently threatened already by the draw-down of the water table locally, and several of the Kuchly pumps have had to be sunk into ditches, and tube-well borings extended In nearby Gopalpur the water table is said to have been drawn down from 16 feet to 42 feet in only two or three years In some areas it is quite probable that groundwater irrigation will be a source of profit only for a relatively short period

The 'explosion' (relatively speaking) of groundwater irrigation in Kuchly in the last five years (and in Asinda over a slightly longer period) seems to have been associated particularly with the arrival of electricity and its subsidisation by the state government (as was the case in North Arcot district in Tamil Nadu 20 years earlier see Farmer 1977) Cultivators pay a fixed rate of Rs 1 100 (1 200?), which is supposedly to pay for the irrigation of one hectare when clearly much larger areas are cultivated and tube well owners receive significant payments for selling water to others But the expansion of shallow tube well irrigation also in Jungul, where only one well is electrified shows that the availability of rural electricity supplies has probably not been the only or necessarily the decisive factor Rather, what seems to have been involved has been the availability of a suitable and successful high yielding variety (IR 36) and a more favourable N fertiliser paddy price ratio A paper by economists from the International Rice Research Institute in 1979 argued that in West Bengal " at current prices, fertiliser is not much of a bargain" [quoted in Harriss 1983 49] In the period since then it seems that the prices cultivators pay for urea have been kept constant, whilst paddy prices have risen The price of Rs 2 40 per kg of urea was reported to me in Jungul in March 1982, and the SAMI price in March 1991, while the current price received for paddy had increased by in the region of 50 per cent This hypothesis has to be checked against district state level data but it does seem rather likely that the factors which have 'unlocked' the West Bengal groundwater puzzle have had to do with the availability of technology, and with more favourable prices rather than with institutional changes brought about by agrarian reform Another part of the story may be that, as Palmer Jones has suggested [cited in Harriss 1992 220], the state government has been prepared to give up the view which had been held that groundwater development should be organised by the state and mainly involve deep tube wells — even though the inefficiency of their operation had been well known Now, however, if rates of draw down such as those reported above are found to be occurring very widely, the case for intervention to plan and control groundwater development may have to be re examined.

III

Conclusions

Based as they are on 'rural rides' rather than on very extended research the conclusions that are drawn here are necessarily tentative, and need to be checked against more systematic analysis (of such factors as the fertiliser/paddy rice ratio, of comparative price trends more generally, and of water-selling contracts). But it does not seem that the argument put by the West Bengal government in the *Economic Survey* for 1989-1990 can be sustained, for the connections between agrarian reform and the resolution, at least in the short term, of the old 'groundwater puzzle' are weak. It seems that in practice the state government has been instrumental in achieving something of a breakthrough in agricultural production but more by means of a focus on "the expansion of the productive forces" than it acknowledges in the public statement of the *Economic Survey*. Evidence from none of the three villages that I visited in Birbhum and Bardhamman supports the view that the agrarian reform policies pursued by this government have brought about any really significant change in the agrarian structure, or that the reforms have been instrumental in increasing agricultural productivity.

Lieten, in his study of another Birbhum village, reaches the opposite conclusion. He finds in his evidence on the displacement of relationships of personal interlocking, entirely comparable with that reported here, reason both for accepting Bhaduri's model of semi-feudalism as an explanation for agricultural stagnation in the past, and for believing that the agrarian reform process, by breaking down 'semi-feudalism', has been responsible for the greater dynamism which is now apparent (1992:201-202). But as I have argued, the connections between the reforms and the displacement of relations of personal dependence, and between both and investment in groundwater irrigation which is the base of the new dynamism, really are not at all self-evident. The comparative evidence in Janakarajan's study of a Tamil village (1992), in which interlocking persists (as it does not in the Bengal villages) in an area of agrarian dynamism reinforces this argument against the causal connections which Lieten seems to assume.

But the findings of this paper are supportive of Lieten's broader conclusion that: "...higher productivity and a better deal for small peasants, bargadars and agricultural labourers have combined to reduce the extreme poverty and to reverse the immiserisation process (refuting) the argument that further lowering of the land

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ceiling will lead us down the path of non-viable dwarf peasant farming" (1992 201) There are indications in all three villages of the declining significance of personal dependence, even in those villages (Asinda and Jungul) in which panchayat leadership lies with higher caste, middling rich peasants The extent to which the livelihoods of poor people have been improved in the last decade certainly has more to do with whether or not political action has ensured that wage levels are maintained and improved, than with tenancy reform and land redistribution *per se* Yet, as others have argued, the significance of the modest agrarian reforms which have been implemented, in increasing the confidence of the rural poor, cannot be discounted On balance, therefore, the findings reported in this paper do support the arguments of Kohli and Lieten, at least to the extent that the CPI(M) has not sold out to dominant landed rural class interests (even though it may have done with mercantile interests) and has rather used its broad power base to bring the benefits of modest reformism to poor rural people But this paper also leads to the conclusion that the Left Front government's classical preoccupation with agrarian reform led to a misplaced emphasis in its agrarian policies, and that the expansion of production by means of improved technology and price incentives has been more important than it, or its apologists, are yet prepared to concede. The Jungul story really shows how positive political action in relations to wages, together with the possibilities of expanding production through groundwater irrigation, have realised benefits for the poorest people.

Notes

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1 Barbara Harriss points out to me that these arguments and those of this paper, in common with the rest of the literature on this subject, focus exclusively on the sphere of agrarian production relations Her own research has shown that the concentration of agricultural mercantile wealth in West Bengal is absolutely and relatively (by comparison with what obtains at least in Tamil Nadu) very high and yet that the sphere of circulation has been treated very favourably by the Left Front government On these grounds she would argue that the government has sold out to dominant rural class interests those of mercantile capital

2 It might be argued that the rise of this seasonal share cropping reflects the reluctance of landowners to lease out land over longer period for fear of losing control of it This is certainly a possibility but as I go on to argue here are also factors having to do with control over labour which are involved and which seem probably more important

3 My findings are misreported by Lieten He says that Harriss argues that attachment is still very much the case and that there is thus a continuum of these relationships The dadon (advances) in his example was however repaid in labour days at par and thus indicates that the old system had changed radically [Lieten 1992 55] But there still was extensive payment of interest in 1982 so I am inclined to maintain that there was more continuity at that time than Lieten acknowledges

4 In other words the sort of change described by Lieten in his monograph had taken place in Jungul by the beginning of the 1990s Ben Rogaly reports (personal communication) that while implicit interest bearing loans against future labour still operated in two Purulia villages, where production was focused on a single crop of rainfed paddy wage advances in multiple cropped, irrigated Bardhamman villages bore no interest

5 This statement is put tentatively in the absence of detailed time series data on prices and price differentials

6 It is possible that my interpretation is over generous, and under rates the extent to which party solidarity with labourers' struggles is a matter of local realpolitik (as the significance which I report, of old rivalries between the baishnab panchayat member and the dominant Sadgopes, perhaps shows)

7 The local findings reported in this paragraph leave as a puzzle the question of what happended to the IDA loan Its significance may have been in creating/enhancing the availability of groundwater equipment

8 The fact that water is sold at a fixed cash rate, rather than for a crop share, as in the Tamil village studied by Janakarajan (1992), seems to be an indication of the relative lack of coercive power enjoyed by water sellers in the Bengal village. In Jungul village some water is sold on similar terms to those reported from Kuchly, but in other cases, including those of short term leasing in, water is paid for on an hourly rate, which is a practice that Janakarajan describes as being expressly excluded in his Tamil village.

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Marxism: The Dilemma of Critique

Manas Ray

The possibilities of inscribing revolutionary ideas, advanced at the level of critique, into material conditions are today debated with unprecedented urgency. To talk of the ever-renewed agility of contemporary capitalism does not mean that as a determinate, historical specification of tendencies of forces, capitalism no more acts as a ceaseless mechanism of expropriation. Indeed, it refers to its powerful 'ideological semiotic' through which it explains its hierarchical and corporatist power structure in the mystificatory terms of meritocracy and expansion, and retains its hegemony over competing radical projects. In contrast, as the results of the experiments of eastern communism are becoming known, the Leninist response of smashing the state apparatus stands today as an unquestioned negative utopia. Together, they bring to bear in a cruel way the important fact that there exists neither a linear process of social integration nor a simultaneous contradiction between the growth of consciousness in political organisations on the left and the development of capitalism. This paper questions the tradition of critique in Marxism and focuses on its manifold dilemmas. Towards this aim, it examines a variety of contemporary readings on Marxism and post-Marxism and attempts to trace the controversies surrounding Marxism's enlightenment ideal of offering critique from the standpoint of higher rationality.

CONTEMPORARY Marxism enters the last decade of the century on a note laden with despair. It is outwitted by the popular devolution of social welfare politics (which has robbed it of a few of its 60s libertarian slogans, like 'decentralisation'[1]). It is caught between a determined rejection of old socialist humanism and a haunted suspicion of post-modernism as at best nothing more than a 'fixture of inventory', and at worst the 'cultural logic of late capitalism'. Worse still, it finds itself battered by the recent mass upheavals in the eastern bloc and the Soviet Union. With the formal dismantling of what used to be the Soviet Union on December 23, 1991, the drum-roll of counter-revolutionary decay, that witnessed its first undoing in the fall of the Berlin Wall in November 1989, finally reached its climax. Earlier, the western press was quick to baptise Gorbachev's abandonment of the CPSU in the third week of August as 'the second Russian Revolution'. Perhaps it is a sign of our times that this time it involved relatively little bloodshed, while the tumultous events occurred under the constant watchful eye of the electronic media.

In the embers and tears of western Marxism, the possibilities of inscribing revolutionary ideas advanced at the level of critique into material conditions are today debated with unprecedented urgency. Coupled with this is the question of a 'non-artificial' solution to the crisis of legitimacy of democratic representation. At a more pragmatic level too Marxism faces a major dislocation. This refers to a crisis in the whole way of doing politics in the wake of feminist critiques of the sexual division of labour, etc. With ecological issues vying for place in the centre-stage of political calculations, we are, slowly but surely, entering a new era of politics where the traditional baggage of concepts centring on the 'nation-state' seems likely to undergo significant mutations under the more pressing questions of security of life-maintaining systems. The challenge is further complicated by the appearance on the scene of questions of ethnic groups, of racism and of neo-colonialism, while the inability of various Marxist 'organisations' to supplant the communist parties (causing a near-paralysing vacuum in institutional politics) calls for a thorough review of Marxism's potentials as well as failures.

To talk of the ever-renewed agility of contemporary capitalism does not mean that as a determinate, historical specification of tendencies of forces, capitalism no more acts as a ceaseless mechanism of expropriation. Indeed, it refers to its powerful 'ideological semiotic' through which it explains its hierarchical and corporatist power structure in the mystificatory terms of meritocracy and expansion, and retains its hegemony over competing radical projects. In contrast, as the results of the experiments of eastern communism are becoming known, the Leninist response of smashing the state apparatus stands today as an unquestioned negative utopia. Together, they bring to bear in a cruel way the important fact that there exists neither a linear process of social integration, nor a simultaneous contradiction between the growth of consciousness in political organisations on the left and the development of capitalism. The right reads this as definite signs of credibility crisis at the very heart of Marxist theory. For the left, it signals the need for post-Marxist departures, stretching tenuously between an unsure problematisation of the economy-as-determinant at one end and a (ruffled) consensus on the need to re-investigate Marxism's enlightenment heritage on the other.

This paper questions the tradition of critique in Marxism, and focuses on its manifold dilemmas. Towards this aim, it examines a variety of contemporary readings on Marxism and post-Marxism and attempts to trace the controversies surrounding Marxism's enlightenment ideal of offering critique from the standpoint of higher rationality.

I

Colin Gordon [1980] points out that Marxism's intellectual superiority over the contending forms of socialist currents lies not so much in the abstract elegance of dialectics or in the theory of falling rate of profit as in its comprehensive opening up to the theoretical advances of 18th century European historiography. This means that right from its inception, Marxism established a direct relation with the traditions of the enlightenment. In the recent revaluations, Marxism's crucial but contested links with the enlightenment have been brought under the spotlight, taking it as the sign of both its strength and weakness. Marxism has been questioned for proclaiming rationality and scientificity as its constitutive, methodological core and for attributing a near-disabling emphasis on class as an agent of history.

Thought, in the way that the enlightenment portrays, operationalises and privileges it, is the unproblematic antithesis and the counter-force to myth: it shatters the spell of blind collectivity and dogmatic traditions through ratiocination, hailed as the only reliable guide to action. Foucault once remarked that in the enlightenment all objects are brought under doubt except the subject. He argues in *The Order of Things* that the figure of man is constitutively doubled—man is at once the locus of effects of the determinations of life, labour and language, and the locus of knowledge, the perpetual opening of the question 'what is man?' Consequently, the determinations which define man as 'finitude' are themselves defined only with reference to his ascribed transcendental nature. This problem of explaining man as both subject and object of knowledge forms what Foucault terms the problem of man as an empirico-transcendental couple, and the discourse about man constantly falls into the trap posed by this polarity. For a similar reason, the history of communism as the

arena of praxis is marred by a heightened degree of narcissistic enclosure. Marx, his orthodox advocates point out, could go beyond Hegelianism precisely because a historical subject was appearing that could transcend the limits reached by philosophy through reason backed and realised in material struggle. In the course of the history of communism, however, this confidence in the identification of a locus of critique with an escatological notion of history could only get transmogrified into intolerance and hostility towards new ideas, an obsessive control over the political utilisation of knowledge, and an 'ideological dictatorship' of the economic last instance (that never comes).

From enlightenment to Marxism what continues unabated is the metaphorics of vision. The neo classical consensus about the primacy of vision began to have its moments of doubt as the 18th century progressed. But if the allegorical basis of the primacy of the visual was rejected it was reformulated in terms that would underwrite modernity from language to knowledge to finally and unalterably vision hence language is ultimately iconic or as Allen Thiher [1984] puts it, a *bild* (image) of an otherwise inefable *idee* (idea). From Descarte on philosophy's ideal of self foundation gets cast in terms of a visual metaphor. Ideally reflexivity becomes the method and the foundation by which philosophy grounds itself within itself because it provides the structure and process of an operation which along with focusing on the action of the mirror reproducing an object implies that the mirror is made to see itself [Gasche 1986]. Through such vision the subject can privilege his her own self certainty as the ground of philosophy itself. The constitutive subject of Kant's transcendental philosophy is constructed as simultaneously philosophy's internal principle thus making room for a correspondence between the vision of philosophy and the object of vision. If the Cartesian subject is a substance, the Kantian subject is a pure category a bare consciousness which pervades all consciousness. Kant's equation of the enlightenment with an imperial metaphor of vision is unmistakable light that invades the darkness of the cave. The problem with Kant, as with all philosophers of reflection, is that he cannot see the beam in his own eye.

Marx, an exemplary modernist, reiterates the notion of critique as making visible. Drawing upon Hegel's critique of Kant's purely transcendental reflection, Marx points to the existence of a third element in the unifying dialectics of the mirror and its object—the relation between the mirror and itself. But, again, due to the ultimately dialectical nature of his scheme, the mirroring subject is able to integrate the distinct moments of 'reflection into self' and of 'reflection into other' into a dynamic unity. Hence, it no longer remains the empirical subject, and history becomes the bearer of a universal form of the human—an arena for the production of an interiority and density called man. Enthused with a supra historical vision of history (expressed in the catch-cry history is on our side) and open to the colonising arrogance of an enlightening reason the ideal Marxist subject as critical philosophy attempts to give voice to human suffering, tries to create a space for the consciousness of oppression. The goal of philosophy, in this scheme, is at the same time the culmination of history or better a certain vision of it. In Marx one can see the possibility of thought opening to its alterity, a possibility that, however gets dissolved in the (Hegelian) opposition of source and reflection. It is in this context that Nietzsche's axiomatic 'I mistrust all systematisers and avoid them. The will to system is a lack of integrity' [*Twilight of the Idols*] or Heidegger 'to overcome history is to overcome metaphysics' [*Being and Time*] needs to be read. In the capitalist and increasingly precarious west the left finds itself without a unified subject (the end of modernity) with no universals an unencouraging and maligned history of official Marxism and with little material force. Hence, it shaped itself in terms of the minority logic of counter culture a logic which in the upheavals of the 90s looks an exhausted possibility.

Mitchell Dean [1986] gives three reasons for the renewed interest in Marxism enlightenment connections (i) the political function of the development of productive forces under the aegis of scientific rationality (ii) the loss of an emancipatory hope of a revolution based on rationalism and (iii) the decolonial challenge to western rationality to global economic domination and political hegemony. Enlightenment as total reason sponsored particular cultural identity for the west coherent civilised and the guardian of essential humanity. With contemporary cultural struggles questioning the putative sovereignty of western reason, this cultural identity as a metaphor of the west is challenged too and along with it, the notion and practices of *history* as 'Europe preferred autobiography' [Spivak]. Thus, the deconstruction of the tenets of enlightenment and its preserve of various binary oppositions leads to the dissipation of the west seen as a function of the politico-cultural discourses and economic practices.[3]

The recent rethinking in Marxism regarding its relationship with the enlightenment points to a more fundamental epistemic question– namely, one centring on the vexed issue of the status of Marxism as science. Althusser, in his bid to 'rescue' Marxism by attempting a re reading of Marx in rigorous structural terms,[4] argues that it is epistemologically and politically imperative to highlight the scientific credentials of Marxism as opposed to its humanist interpretations.[5] Foucault too considers that Althusser's worries are misplaced. Foucault's early work is principally epistemological and methodological in nature and among other concerns, opposes both humanism and orthodox Marxism. In his later work, he further elaborates this position by concentrating on how the individual subjects are themselves constituted in and through the social practices of correction and normalisation. This led him to a thorough investigation into the many aspects of what is conveniently labelled as the social issues such as rupture and discontinuity power and knowledge, and the polysvalence of social relations. Throughout his career, however Foucault (his early contact with Althusser notwithstanding) retained an arduous opposition to any attempt to resort to 'science' in explaining social reality. To privilege Marxisms scientific potentials he argues, is tantamount to praising Marxism for one of its main problems namely predicting much too precisely the correct line. Althusser wants to place Marxism securely within the tenets of rationalist discourse, while to Foucault it is precisely these rationalist tenet that should have been the targets of Marxisms demystifying endeavour.[6]

Characteristically Foucault is interested not in viewing rationality as an anthropological invariant but rather in examining how forms of rationality inscribe themselves in practices or systems of practices. He contests the Frankfurt school thesis that modern society constantly attempts to de individualise its members by drawing them within the vortex of its political totality. In contrast he maintains that there is a correlation between an increasing individualisation and the reinforcement of totality [1980]. Hence compared to Frankfurt School Foucault's view on the decline of the political rationality is far more dynamic. 'The failure of the major political theories nowadays must not lead to a non political way of thinking but to an investigation of what has been our political way of thinking during the century [1988 161]. Indeed if conventions of Marxist thought have been having trouble accommodating themselves to the new conditions these challenges may precisely be the occasion for a revitalised post Marxism.

II

Marx's relation with enlightenment principles was not a monolithic affair. His dialectical approach by assertion and denial views the realisation of history's project as a complex and ever renewed weave of rationality and irrationality, an approach which by necessity privileges rupture, foregrounds negation, and attributes central importance to the opaqueness of the social—i e the gap between the manifest and the real. Thus, Marxism always had the potential

ment. Part of the tension in Marx's writings lies in their fusion of two distinct historical associations of *Kritik*: as a neo-Kantian, Marx privileges the idea of unprejudiced reason, labouring an unbiased critical exposition of the 'natural laws' of capitalist production; as a young Hegelian, he foregrounds the moment of negation that every *Kritik* carries within it, emphasising the ever-renewed discrepancy of theory and practice. Marx's mode of resolving this contradiction is also the constitutive crisis of Marxism: a perfect theory translated into the world of the humans. Throughout his career, Marx either perfects his theory or explains the need for its translation, offering precious little concerning the actual process of that translation. This prompts Althusser's comment that Marx does not have a thesis of transition [*Reading Capital*].[8] The less sure the prospect of 'translation', the more resounding the critique, transforming Marxism into a never-ending story of critical reflections on the forms of ideology. The traces of the tension between the subject of reason and the subject of egalitarian distribution system can be found in the enlightenment itself. Due to the overwhelming importance attributed to 'reason', the enlightenment cannot reach completion without the practical dissolution of class society while, in practice, it got more and more anchored with the interests of the nascent bourgeoisie. In line with the dual character of the enlightenment we can recognise Marxism's fundamental ambiguity: along with exposing the false claims of the bourgeoisie to absolute truth and virtue, it also situates at the centre of revolutionary praxis a (utopian) vision of a counter-society free of all such falsehood.

Habermas, in his defence of a 'continuum' of history, suggests that we read the ambiguity of Marxism (termed here 'the philosophy of history') as a response to the novel historical experiences associated with the rise of capitalism. He lists four crucial factors that have played a role in this process. As Peter Dews puts it:

> an awareness of the accelerated and directed social change, resulting from the growth of the forces of production, and from attempts to control the effects of this growth, a consciousness of the gap between the need for regulation of increasingly complex social processes, and a lagging capacity for control which generates unpredictable side effects of its own as it advances; a sensitivity to the unresolved conflict between the universal scope of bourgeois moral principles and the continuing 'state of nature' which exists between national communities; and, lastly, the disintegration of traditional world views as securers of social identity [1986: 8].

Underlying these tensions are the reasons that led to a left/right split among the followers of Hegel.[9] No believer of the notion that political power could be dissolved into 'the self-organisation of society', the lism and competitiveness of bourgeois society must rather be held in check by the state, and that any attempt to abolish this counterweight could only lead to chaos. In opposition to this view, Oppenheim, a liberal follower of Hegel, asks: "How can one collectively administer something that does not constitute a closed whole, and which is daily generated and formed anew through the infinite and infinitely manifold production of individuals?" [Dews, 1986]. From here on the critique on the left has got more and more radicalised over time, taking its present shape among the post-moderns. The left-Hegelians were willing to challenge the dialectical basis of Hegel's system, while their right counterpart remained happy proposing reforms in the political sphere. Thus, post-modernism as a 'cross between prison and chaos', between the iron laws of society and a perspective that holds no perspective as its only perspective, can be seen as having genealogical links with the right/left split of Hegelianism of the last century.

Such a condensed narrative of Hegel through Habermas to post-modernism may be faulted as an instance of 'continuitist' history. What it attempts to provide, however, is a retrospective backdrop where we can situate the dilemmas of Marx in a more comprehensive manner. Very early on, Marx makes labour and praxis the key concepts with which he can operate within the Hegelian system without getting entangled in its political implications. In the process, he totalises the historical field, reducing all forms of domination to labour. Sloterdijk [1987] argues that it is in this move of Marx that one finds an explanation for his turning to political economy from mere philosophy, his appeal (in the middle of his career) to 'theory's role as world-mover' and his celebrated comment that philosophers so long have only interpreted the world while the need is to change it. From theory as world-mover came as a logical step the notion of 'mass ego', i e, the category of the proletariat (and its dictatorship), which, contrary to what Marx may like us to believe, is more a product of 'summits of philosophical reflection' than any actual empirical finding.[10]

Marx in the first thesis on Feuerbach argues that Feuerbach conceives practice 'only in its dirty judaical manifestation' and hence fails to "grasp the significance of 'revolutionary', practical-critical activity". However, as Sloterdijk points out, Marx's censure against mere interpretation perhaps highlights a skewed fact, which is, polemic notwithstanding, that his own greatest temptation lies in persisting at the level of mere critique. This is evident in the way Marx critiques philosophy; not by relating the claims of philosophy to their social origin and thereby undermining their validity in a relativist way, but by demonstrating that the philosophy in question is faultily const- tinomical and thus inherently self-defeating. Hence, the theoretical (*vis-a-vis* the empirical) is privileged as the key to the 'original, self-splitting and reuniting' identity of subject and object. Correspondingly, the concrete becomes important only as the site of many determinations. In Marx's admonition of mere philosophy can also be read his gesture to do away with the dual structure of criticism that separates theory from practice, subject from object—in other words, the 'externality' of criticism and its attempts to stand 'outside' of what it criticises. Marx attempts to achieve this through a dialectical resolution that will account for the immanence of revolutionary possibility in a specific complex of material condition. Ironically, but predictably, this leads to the idea of the proletariat as the meeting point of the praxis of past history and the subject of new history—an idea that stands in the same relation to reality that Marx diagnosed and rejected as the dual structure of (bourgeois) 'philosophy'. In fact, the dichotomy of a subjective understanding and an object to be understood is the hallmark of much 19th century thinking, so much so that the self gets characterised by its radical otherness from everything else. Rene Girard observes that in the 19th century doubling comes of age. Already with Kant and more so with Fichte, the need for emancipation and 'an originally completed act of freedom' [Habermas: 1989] are the presuppositions for all logic. Marx, too, while pointing out that practical reason is a stimulus to pure reason, does privilege reason's pathway to self-reflection. Nietzsche's critique in this regard is succinct. He calls man obsessed with unchained reason 'theoretical man' and identifies his ancestor in these terms:

> Our entire modern world is caught in the net of Alexandrinian culture and takes as its ideal the theoretical man equipped with the highest cognitive powers in the service of science; his prototype and ancestor is Socrates [*The Birth of Tragedy*].

Whatever the case may be, subsequent generations of Marxists felt it obligatory to pay homage to the idea that theory's task is to conceptualise the world of objects and reality itself, not merely positively but also critically. In this can be traced the fundamental ambiguity of Marxism. It views consciousness as the reification of the social process which, however, can also be liberated from mystification through the 'conscious' struggle of 'the last oppressed class'—i e, the proletariat. Habermas argues that historicising the knowledge of essence only replaces the teleology of 'being' with that of 'history'. He observes:

> On the one hand, a theory of this sort (regardless of its specific content) conceals the margins of contingency within which any theoretically guided practice is bound to move... On the other hand, a totalising

knowledge of this sort feels in a position to make clinical evaluations of the degree of alienation, or success, of particular forms of life in their entirety This explains the tendency to see socialism as a historically privileged form of concrete ethical practice, even though the most a theory can do is describe the conditions necessary for emancipated forms of life [1990 12]

In the context of the German predicament, Sloterdijk describes it as 'the modernisation of false consciousness' Arguing that disillusionment with the enlightenment makes a cynic of a critic who, having learnt from historical experience, refuses any optimism, he comments

> Cynicism is enlightened false consciousness. It is that modernised unhappy consciousness on which enlightenment has laboured both successfully and in vain It has learned its lessons but it has not, and probably was not, able to put them into practice this consciousness no longer feels affected by any critique of ideology its falseness is already reflexively buffered [1987 5]

God, universe, theory, praxis, subject, object etc, are mere 'nouns for young people' [Huyssen, 1987] sombre, sacrosanct and ultimately oppressive Huyssen argues that the ancients knew the cynic as a 'lone owl' and a provocative moralist' while in the modern media climate, where the pressure to individualise has lessened, 'anonymity' now becomes the domain of cynical deviation But this anonymity is also a cover for exemplary elitism expressing itself in the assumption of 'intact sensibility' One should not, as Sloterdijk sardonically puts it even try to convince certain opponents, reason, corrupted somewhere on the way, can be recouped only in solemn self reflection Here Foucault's position is of seminal importance

> I do not believe in a kind of founding act whereby reason in its essence was discovered or established and from which it was subsequently diverted by such and such an event I think in fact that reason is self-created which is why I have tried to analyse forms of rationality different foundations, different creations different modifications in which rationalities engender one another oppose and pursue one another [1983 202]

Hence, for Foucault reason does not bifurcate once, but over and over and over again and has multiple histories His critique of reason is often misconstrued as a call to 'disavow' reason even when his project, explicitly and clearly, offers a rational critique of rationalism, writes 'rational histories of all the ramifications and all the bifurcations, a contingent history of reason' Adorno, as opposed to Foucault, holds that the movement of 'reason' is dialectical *Verstand* (i e, concepts to order or subsume the objects of reality) and *Vernunft* (i e, regulative ideas like freedom, justice, the sublime, etc—from the Greek *noetic* or *nous*) Adorno, very much in the tradition of German idealist philosophy, announced his preference in the following "Progress is more than growing technical mastery and spiritualisation It is also the progress of spirit in the Hegelian sense of the term—i e, increasing awareness of the spirit of it's freedom" [1984 303] Given such an attitude, it is not surprising that critique could read in fascist ideology only its 'patchwork character and rejected it with disdain too unauthentic' to qualify as a serious adversary [11]

Getting back to Marx, the capitalist relations of production are seen in terms of insoluble dichotomy, which again is linked to the dialectic of capitalist revolutionary project or what is called in *Grundrisse* 'capitalism's progressively revolutionary thresholds' The Frankfurt School, its experience of German fascism and of American mass culture behind it, could only respond to Marx's emphasis on practice with cynicism and nostalgia. Pointing out the radical rupture that the modern industrial capitalist state has effected with earlier democratic rationality, the school's programme highlights this 'rupture as the underlying reason for modern manifestations of capitalist domination It aestheticises the situation as beyond redemption and wants to work out a critique that responds to the 'a priori pain' of the age

Behind Adorno's disdain of mass culture (termed 'the popular, the hypocritical, and the conventional') lies an aestheticised approach to culture that he can never rationalise. Sloterdijk calls Adorno a 'crypto Buddhist' "Those who suffer without becoming hardened will understand, those who can hear music in moments of clarity see across to the other side of the world" [1987 xxxiv]. Indeed like a true Buddhist, Adorno's path to critique is through solitude and melancholy interested as he is in understanding 'the pain of the times' (*Zeitschmerz*) In the crisis ridden but closed bourgeois society, the individual feels stripped of all power The artist, in his own world, reacts to this pervading impotency by portraying the primacy of the subject over against the given In Adorno's peculiarly aestheticised vision, the 'world of fathers, legislators and profiteers' appears as the real source of oppression For him, philosophy is impossible but essential philosophy if severed from praxis is self contradictory while, if philosophy is praxis, it no more remains philosophy He calls this 'the logic of aporia' but ultimately seeks a dialectical resolution He accepts Nietzsche's criticism of the systemic but interprets it as an occasion for renewed concentration on the subject He appreciates Nietzsche's equation of power and knowledge but in his own practice longs for a realm of knowledge beyond power This, he supposes, is the realm of the mother, the utopia of the feminine. Hence, his critique becomes more and more the work of 'exemplary healing' In the predominantly Oedipal scenario of 'knowledge through love', 'love of knowledge' can only signify a vaulting desire to get to the 'naked truth'. (It may not be particularly skewed to read in this context Adorno's contempt for contemporary feminism as expressed in a comment like this feminism, in the name of liberating sexuality, only manages to liberate genitality)

Interestingly, a similar 'physiognomic excess' marks the work of Walter Benjamin, with whose name is associated (as commentators generally agree) the most important renaissance of critique in the 20th century To Benjamin, however, it does not have the function of 'recluse', rather, it is related to his important argument that the concrete is always already irreducibly material, resisting any assimilation to consciousness Adorno is highly critical of Benjamin's notion of 'the concrete Nonetheless, towards the beginning of *Negative Dialectics* he does subscribe to the idea that concepts cannot hold the concrete, that the concrete always spills over designated territories an idea which is defeated as, towards the middle of the book, he emphasises that a concept to be concrete needs to establish rational identity with its object Benjamin enacts a crucial departure from the conventional understanding of German history in trying to interpret the ambivalent matrix of the tension between the destructive impulse and the utopian potential as a necessary connection between libidinal and political imagination Linking somewhat laconically the auratic experience with the reciprocity of the erotic gaze [Buck Morss 1983] Benjamin argues that individual sexual desires are always associated with the realm of utopian fantasy This explains his interest in surrealism in its radical fusing of images from the surface with those held to belong to an ostensibly more primary or inner nature. Benjamin calls surrealism 'profane illumination' ("demonstrations, watchwords, documents, bluffs, forgeries if you will, but at any rate not literature' [1989] where dreams loosen individuality like a bad tooth and language takes precedence over meaning ('After you dearest language" [Breton]) In a different context, he points out that while the German Communist Party was busy giving class analysis of Hitler, Hitler roared into power offering the masses myths and dreams they badly wanted Miriam Hansen (among others) argues that Benjamin saw in surrealism a demonstrated critique of official Marxism's consistent neglect of the question of the unconscious and the libidinal side of human experience.

For Hansen, this messianic blend of eros and politics finds a curious economy in the unsatisfied pull of the past through the veiled metaphors of prehistory which, however, has a psychic source too close to home. She observes that the erotic-auratic memor-

utopian glimpse of a prehistoric past is actually a yearning for 'home' (*Heimat*) and, hence, is the Oedipal desire for the mother's genitals. Hansen perhaps over-stretches her point here.[12] But her related argument—that if Benjamin's physiognomic excess paves the way to figuration, then figuration, in its turn, opens the realm of the non-sensuous—certainly deserves serious attention:

> As we could see from his genealogy of the mimetic faculty, the category of similarity itself has undergone a change of meaning. It has withdrawn into the non-sensuous, i e, figurative, correspondences, not only because the subjective and inter-subjective capacity of perceiving similarity has declined, but because, for related reasons, the status of the sensuous, i e, obvious and literal, correspondences is irrevocably compromised by the effects of universal commodity production and a concomitant standardisation of social identity and subjectivity [1987: 199].

Written in these lines of Hansen's Benjamin is a politics of experience, pivoted as it is on a motivating ambiguity between the utopian craving to escape into the imaginary world of pre-history and the pathetic submission to the recurrent circuits of 'catastrophic sameness'.

In a different context, Benjamin opts for a desperate end to this tension and urges for 'a tiger's leap into the past'. This is how, he argues, Marx understood the revolution [1973]. One must not waste time but load time into oneself. To load up time is the trait of the flâneur, Benjamin's favourite metaphor for the man of the crowd. What fascinates him about the archaeology of late 19th century French capitalism are its two antithetical moments, fabulous inventiveness and sudden evaporation of meaning, involving a certain diachrony. Correspondingly, the *flâneur* feels looked at by everyone and everything and is also completely untraceable, protected. The image of gas and oil lamps of the arcades is extinguished with the blaze of the electric lamps and steals away into their names. '(T)he names become like a filter', which only 'releases the most secret, bitterest essence' of what had been.[13]

By squarely placing the catastrophic at the very centre of modernity's notion of totality, Benjamin performs a transition from metaphorical representation to allegorical dissemination. Here allegory does not point to some gradual attainment of unity of a doubly-coded message (as in its traditional use from *Pilgrim's Progress* down to the 18th century); on the contrary, it refers to the kaleidoscopic dissolution of a stable hierarchy of meaning, where the resulting fragments resist any coherent hermeneutic restoration. Interestingly, if Benjamin foreshadows the Foucault of *Discipline and Punish* in reading the pervading mask-like styles of the 19th century as signs of the becoming invisible of power relations, in the same vein by framing allegory as the ontological absence of presence, he foreshadows Derrida's notion of supplement. Allegory is continuing restlessness not in the sense of drifting on an arbitrary course but more in the sense of 'pendulating' in the surplus of meaning. Benjamin's term for this is dialectical image, whose characteristic moment lies in the structuring of dream images in a field where politics is placed over history and where, through an alchemy that holds the key to materiality, the very remote can suddenly appear as the very close. Benjamin will simply call this remembering.[14] Viewed from this perspective, Adorno's engagement with high art appears particularly undialectical.

Adorno rightly argues that the subject and the object are to be understood as social processes and not merely as the presuppositions of pure epistemology. Towards this end, he sets as his agenda the redefinition of the subject and object without presupposing their identity. He is least successful here, however, partly because of his ultimate privileging of the systemic over the 'unconnected'. Adorno expresses his anxiety over the 'subjectless subject' in terms ironically similar to the post modern euphorics over the dispersal of the subject: 'scattered, disconnected, interchangeable and ephemeral state of informedness' which one can see will be 'erased the very next moment to be replaced by new information' [1973]. As a way out of this impasse, Adorno uses the notion of constellation: a momentary and revocable synthesis which is 'less an identification than an agreement to differ'. If continuity has ended in a closure of history, then to think of this closure opens a breach in it. In other words, the break attests to a continuity—a dialectical continuity which itself brings about a rupture. Working on this break, Adorno postulates, we recognise that our only option is to use the force of the subject to break through the 'deception of constitutive subjectivity' [1973].

This is clearly an act of privileging politics over philosophy. In Adorno, however, such a gesture remains at the level of metaphysical *angst*, given his distrust of political praxis as one more sign of reification in our age of corporate capitalism. Instead of foregrounding the irreducibly provisional and im-proper nature of such a gesture, its radical alterity, Adorno attempts to anchor it in the philosophy of the subject: the notion that the subject is eventually able to comprehend itself as such (a position strongly reminiscent of Hegelian Marxism of which, even if ambiguously, he is critical). Within the safe enclosure of dialectics that such a position inevitably invokes, Adorno's analysis is ultimately reduced to what Jochen Schulte Sasse considers as "an ahistorical hypostatisation of the subject as a self-identical ego equipped with analytical-power" [Huyssen, 1983: 20]. Ideally speaking, this is the predicament of a position that privileges its moment of the political but relinquishes its potential for upheaval halfway. Such repudiation is all the more poignant, given his radically perspicuous critique of Kant's epistemology of the subject: "The subject is all the more a subject the less it is so; and the more it imagines itself to be and to be an objective entity for itself, the less it is a subject" [Huyssen, 1983: 20]. In our reading, such problematisation of the subject constitutes the mark of fissure that Adorno's ultimate recourse to Hegelian Marxist understanding of the subject's self-realisation struggles to forget.

The dialectics of remembering and forgetting in Adorno is nowhere more evident than in his treatment of the culture industries, albeit from a different direction. While he recognises that there are limits to the subject's reification through the culture industries (making resistance possible), except for a few perceptive comments about popular cinema at the very end of his career, Adorno never undertook any analysis that locates these limits in the mass cultural commodities themselves. Such disavowal also indicates that his analysis occludes the signifying strategies of specific cultural commodities and the mesh of gratification, displacement and production of desire that are always in play in their production and consumption.

Adorno's negation of the culture industries is symptomatic. Martin Jay supports Adorno's position:

> (I)n a century when every revolution has in some way been betrayed, when virtually all attempts at cultural subversion have been neutralised, and when the threat of nuclear *Aufhebung* of the dialectic of enlightenment continues unchecked, it is difficult to summon the self-confidence to call (Adorno's) melancholy unwarranted [1984: 162].

Behind such attempts to justify melancholy as inevitable lies a lurking resignation to the loss of any vision of a truly and freely developing intellectual discipline. In order to redeem Marxism from Stalinist partisanship, the Frankfurt School took upon itself the task of critically constituting the truth-content of Marxist theory. In the process what got eclipsed was the element of historical mediation in Marxism—in the words of Negt [1988], the reality of error suffered under the unreality of truth.

Adorno, like most other western Marxists, derives normative inspiration from the limited context of 19th century industrialism in which Marx's work was set, a holistic vision of society that sees capitalism as the revolutionising and mutilating of what was originally an ethical totality. Hence, the unflinching, valorised and paralysing critique. Brecht expresses this quintessentially cynical attitude in the following words: "We'd like to be good instead of so mean, but conditions won't allow it" [*Threepenny Opera*]. This cynicism is not simply scepticism, not simply doubt about the virtuous attitudes of others. It is, as Sloterdijk puts it, 'enlightened false consciousness' that typically acts against better knowledge.

Sloterdijk's central engagement is of seminal importance for our times how can the informed thinker both continue to question the subject of consciousness along with the many transparencies about the nature of society, and yet be a responsible, caring citizen capable of resistance and creativity His project of establishing a new form of enlightenment based on a regeneration of the *kynical* impulse, however, is no solution for the forbidding complexities of the task Borrowing Nietzsche's Diogenes, Sloterdijk portrays kynicism as essentially an oppositional attitude ('the cheeky, positive side of cynicism' in the words of Sloterdijk's translator, Michael Eldred) that does not 'speak against idealism, it lives it against it' [1987 104] Through a philosophical foregrounding of the corporeal, Diogenes is viewed as the 'sensual embodiment' of protest, flouting standards of citizenship, urinating and masturbating in the marketplace as paradigmatic acts. (It may not be out of context to remember here that Sloterdijk is a prominent devotee of Bhagwan Rajneesh)

Behind Sloterdijk's desperate optimism ('if we disarm as subjects letting things be Cool, bright, every moment enters its space, you are no different from its brightness, its coolness, its jubilation' [1987 54] and Adorno's a priori melancholy, and indeed behind much of the tradition of critique is a sterile, at times hopelessly simple, model of the individual and society the notion of the flower child, innocent, pristine and jubilant, who withers into a calculating, corporate, fragmented citizen in the utterly destructive process of socialisation At the heart of critique's disdain of practice lies a stubborn elitism, a tradition of privilege

If Adorno portrays the individual as precariously disposed to the whims and influences of a diabolic society, traditional Marxism foregrounds the notion of the proletariat as a sexless, desireless, hypostatised category suspended at a particular juncture of history's trajectory and whose historic mission lies in ushering in the classic of all collective singularities—namely, the revolution, or better still, the revolution of which all particular revolutions are instances The proletariat as a concept is an expression of a long tradition of philosophical speculation concerning the relationship between fact and value. Characteristic of this tradition is the belief that there is a systematic relationship, open to rational understanding, between being of the world and being good. (It must be added, however, that in the Marxist scheme, ethics is not the rational basis for the existence of laws of progress Rather, a complete correspondence of ethics and history is the result of historical development only Here history or, better, the laws of history function as the proxy for theology) It is argued that the proletariat, such is the logic of its structural placement, is destined to undo the present order and bring about a society that for all practical purposes equals the east's metaphysics of the 'nirvana' The reference to the nirvana may be taken as more than a passing rhetorical flourish The philosophical anthropology that guides Marx's vision of the proletariat and communist society has a rather unproblematic lineage with late 18th century German philosophy (which, among other things, harbours a romantic vision of the east) For Schiller and other German romantic thinkers of this period, ethics, politics, and economics form part of a general theory of the making of 'man' in 'society' Hegel offers Marx a way to establish 'law like grounds to this general theme of 'unfolding On this score, Marx is as close to Schiller as he is to Hegel He deploys the division of labour and classes as an exemplary occasion to highlight human beings lack of integral wholeness Hence, the proletariat becomes the epitome of fundamental social fragmentations and polarities and also the reasoned hope of their transcendence [5]

III

The history of this century, at both ends of the political spectrum, however, has a different story to tell In the west, with the enormous rise of capitalist productivity and an accompanying liberalisation of reward systems, nothing today sounds more unconvincing than the claim that workers have nothing to lose but their chains In fact, under the changed circumstances, it is nothing better than theoretical obstinacy to pursue the line that the proletariat—steadily shrinking in number and drifting rightwards in ideology—is the harbinger of social change, the subject of social transformation So much for the industrialised west Turning to the 'socialist' east, if the popular uprisings are any indication, the ills of these societies lie far deeper than contingent lapses of their governing principles or occasional mismanagement of their 'captains of consciousness' Be it in the erstwhile Soviet Union or the 'eastern bloc', the politics of big cause has nose-dived, along with those grand explanatory principles (like class, patriarchy or the 'planet') which, like super-computers, are supposed to have instamatic answers (The same applies to other parts of the world as well For instance, in West Asia it takes the form of war against the pernicious effects of US imperialism while the problems of those societies compound) The grand theories, by viewing totality as a unified, transparent entity, ignore a basic problem i e, totality, for all that it is, represents no more and no less than a slippery zone that constantly undermines itself by its sheer surplus of meaning, surplus of elements, relations and practices. Hence, Foucault's attempt to highlight the 'contingencies that make us what we are' [1984 46], or his investigations into the continuous, diffuse, local, 'capillary' character of disciplinary technologies This warrants a shift in focus from a dialectical withdrawal of 'ordinary' experience to an engagement in the institutional processes of political, economic or cultural calculations, assessments and decisions in other words a shift from mere critique to a critique informed by the ethos of policy Colin Mercer frames the background of this shift

> With this professionalism and specialisation goes a necessary recognition of the sheer complex pluralism, density and complexity of social relations the recognition that what we call society is not a transparent social structure where things and people can be ordered and harmonised according to the principles of far sighted doctrines or historical lesson teaching People working in the area of law social and economic policy know this well [1991 14]

In terms of practical politics, the pluralism that Mercer points out here offers two opposed possibilities It can be used to place persons in a colloidal dispersion that suspends the elements of oppositionality (the dominant model of American political science) it can also be used to recast those very elements in such ways that underwrite and displace the liberal humanist agenda through practical strategic engagement in micro institutional politics Here the writings of Foucault and Derrida can be utilised with profit particularly for issues like rejection of representation as mimesis, displacement of the transparent subject, and recognition of the discursive character of meaning Political analysis is also to gain from concepts like that of archaeology, genealogy and countermemory (Foucault) as well as from reversal displacement operations (Derrida). Together, they call for a change in the whole mode of doing politics from one based on a presumed formal generality to one which is contextual, flexible and open to a number of possible applications (very much like the portfolio style of production of advanced industrial capitalism)

Along with recasting the received categories of cultural politics, post Marxism aims at a proper cognisance of the real changes that the post war western state apparatus has undergone, and attempts to situate those changes at the level of theory. True, the universalistic foundations of law and morality that have been instituted in western democracies are neither complete nor without problems, nor are they a reflection of the natural evolution of reason but the result of struggles However, it would be self-defeating on the part of the Left to ignore the fact that the contemporary state offers space large enough for policy-oriented, critical interventions Here Habermas' recent analysis deserve attention

> Modern societies satisfy their need of regulative capacities from three sources: money, power and solidarity A radical reformism is no longer characterised by the particular key demands it might make, but rather because it aims to focus on social processes and demand a redistribution of power: the

socially integrating force of solidarity should be in a position to stake its claim against the other social forces, money and administrative power, through a wide range of democratic forums and institutions [1990: 19].

Mercer points out [1991] that an aesthetic idea of culture as opposition only managed to replace the artist as self-defining author by the idea of community as self-defining author. The specific target of his critique here is the voodoo enterprise (popular in the 60s and the 70s) of creating zones of alternative culture in the inner city quarters of western metropolises—a notion of revolutionary aestheticism that Bourdieu scathingly describes as 'dreams of social flying. escaping the gravity of the social field'. The issue of alternative culture brings us directly to the question of identity. Not one identity but multiple identities: civic, community, ethnic, gender, etc, and within each identity, multiple shades, miscellaneous activities, alliances and oppositions. Here the left can ignore the logic of citizenship only with serious, damaging consequences: the various centres of its formation, of dissemination, of persuasion—like education, ethics, leisure, festivals, music, media, etc. Post-marxism introduces a programme and a *modus operandi* rooted in social diversity—an expansiveness that can attract broad constituencies. The main point is not to get stuck in such a puerile polarity as purely oppositional vs strictly governmental, but to engage with 'the dirty little problems' of everyday micro institutional affairs in the public sphere. Not the elimination of critique as such but the elimination of rejectionist gestures, and also of the stance of 'resistance' which has the unfortunate connotation of politics of form of the high-structuralism of the 70s, and which by and large subscribes to a purely confrontational and negative notion of power. Rather, critique should mould itself in terms of strategic interventions and tactical applications with a set of concrete, practical and, hence, flexible policies, in keeping with the scope, resources and possibilities of a changing reality. After all, if in the domain of culture it is not the rules but their social usages that matter, then critique can only be effective as, what Bourdieu calls, *le sens pratique*.

The inefficacy and vacuousness of the left's response—a generalised (and, hence, non-political) 'no' to war in the Gulf crisis—is for Mercer a demonstration of the need for democratic left political culture to effect a transition from the domain of critique to the field of policy.[16] The generalities and certainties of critique are tuned to the mechanisms and logics of long-term historical and political analysis and can only respond to "the much shorter span and messier context of 'political time' " [1991. 10] in a purist, morally righteous tone that helps to aggravate isolation. 'No blood for oil' may be a clever slogan but has precious little to offer by way of solution to the basic problem—namely, this fossil fuel, no matter how unfriendly to environment and how dirty, is also a vital resource in running households, industries and economies all over the world. Mercer comments:

> To make oil sound like a superficial substance compared with the emotive qualities of blood is about as meaningful as suggesting to remote Aboriginal communities that blood is more important than water. Zappy little phrases which trip easily off the tongue on street marches don't always translate into politically achievable objectives. In other words, great causes but few effects. Dirty little difficulties and policy conundrums get in the way of totalising theories and smart slogans [1991: 12].

Mercer's point can be further illustrated by shifting the domain of our discussion from the Gulf war to the ensuing water war in north Africa. The Nile is historically the single most important source of water for cultivation in that region and, of late, Egypt's power-house, its energy tapped by the Aswan dam. But the problem for Egypt is that the life-giving waters of the Nile run through eight other countries as well, each witnessing a demographic explosion and each as desperate as the others for an increased share of water to meet the growing demands on food. There are new problems on the horizon as well like higher temperature from global climate changes leading to more evaporation in that region, rising sea levels causing increase in salinity levels in the delta of the northern corner of the Nile and, thus, ultimately affecting agricultural productivity, etc. In a way, this is not merely the predicament of north Africa. Threats to water security exist all over the world. Most major river systems are shared by three or more countries while most countries of the world are engaged in a desperate bid to increase agricultural productivity. In 1967, Israel went to war with Syria and Jordan as vital water supplies were threatened. Now in 1991, with the work of the Anatolia dam nearing completion, Turkey is soon going to be in a position to control the waters of the Tigris and the Euphrates, reducing water-flow by 80 per cent in Iraq and by over 50 per cent in Syria.[17] In such a desperate scenario of more people, more food, more power, the tradition of critique, its *longue duree* visions and moralistic gesture seems bereft of any efficacity.

An emphasis on the need to critically engage in the state's productive and civilising role or to point out the inefficacy of old-style critique (based on a grand notion of cause) is, however, not a call to ignore the state's links with capitalist relations of production. It is unacceptable agnosticism to hold that power has no basis other than the modalities of its exercise. While advocating in political culture a lowered threshold of governmental abuses, post-Marxist politics calls attention to the fact that there is no easy road to bringing the political citizen and the economic citizen on the same plane and also actively campaigns against the kind of paranoid politics which by aligning its dreams to some mega-model of social change, apprehends (and anticipates) that the capitalist state will ultimately throw off its mandate of civility and come out in its naked, 'fascist' reality. Such faith in the effects of time has receded. The emphasis is on the present and on the mobilisation of energy around the choice of the best way of utilising conflicts to make society more dynamic. Liberty is practice, as Foucault once said. Post-Marxism can neither rest assured by the structural logic of things nor wait for the revolutionary hour to arrive. Instead, it makes the existing laws and institutions the targets of its politics, and tries to turn them around. Interested neither in an apocalyptic sense of doom nor in an effervescent faith in human nature and mass action, post-Marxist politics opts for a practical if precarious option, knowing that there are not many options left in late 20th century advanced capitalist societies—an option that can perhaps be described as walking a tightrope between the threat of a bureaucratised empiricism and an equally potent threat of becoming marginalised. Post-Marxism's tactical engagement can be read as a response to that series of dislocations that Marxism has undergone in this century. We cite some of the more important ones with regard to Marxism as the politics of critique. Firstly, from the Second International onwards, capitalism has transformed itself considerably while socialism has failed to live up to its promise—together, an unenviable prospect for Marxist politics in the west. Secondly, it is now clear that the politics of 'grand refusal' (Marcuse) can only leave the door open to a variety of reactionary forces, and, in retrospect, seems the surest way to 'grand defeat'. Finally, there is the belated realisation that there cannot be any alternative public sphere beyond, above and below the official public sphere.

The contextual, de-ontologised praxis of post-Marxism is, however, not only a tactical response to post-war developments in the political, social and cultural fronts. It is in the same measure an acknowledgement of (and a simultaneous attempt to go beyond) the recent debates in the intellectual sphere centring what Bob Jessop [1990] calls 'micro diversities and macro necessity'. In this regard, the projects of the later Poulantzas [*State, Power, Socialism*] and Foucault of the 70s repectively offer valuable suggestions. The comparison is especially interesting because while the two thinkers move close to each other, they also view the problematic negotiation of micro and macro levels of analysis from two opposed ends. Foucault in his middle career (i e, in the 1970s) establishes a positive dialogue with Marxism; conversely, the Poulantzas of *State, Power, Socialism* rejects important tenets of Althusserian Marxism and incorporates

Foucauldian perspectives on genealogy. Such lines of coincidence notwithstanding, their respective directions are opposite. Foucault who begins his career foregrounding the infinitude of micro-powers, increasingly concentrates on the need to examine how different micro powers are 'invested, realigned and integrated' into globalising strategies of the state. Resolutely anti reductionist, Foucault seeks to explain 'relations among relations of forces' through which a system of myriad articulations emerge. Conversely, Poulantzas, who initially postulated class division of labour as the primary explanatory principle of advanced capitalism, ultimately concedes that relations of power do not coincide completely with class relations and can extend beyond class relations as such. Their reversed journeys produced crucial advances and parallel dilemmas. Apart from their early agreement regarding the intentional and non subjective nature of power relations, Poulantzas enriches his understanding of contemporary societies in *State, Power, Socialism* by paying interest to the numerous phenomena of inertia, displacement and resistance. Foucault in his turn, attributes (towards the middle of his career) a new and privileged role to the state as the point of strategic codification of the multitude of power relations and the apparatus in which 'social hegemony' is formulated. Regarding their respective dilemmas, Foucault (his emphasis on 'social surplus' and dispersion of micro powers remaining intact) fails to produce any consistent interpretation of structural domination[18] while for Poulantzas it takes the shape of a teleological restoration of the primacy of class analysis grounding analysis of power structures, interests and resistance in relations of production.[19]

Given such outcomes of attempts to negotiate the macro micro continuum, homespun wisdom in Marxist circles like 'thinking globally, acting locally' seems far more complex a business than one normally assumes. Foucault's *Power/Knowledge* abounds with traces of this problem. Arguing that links among different forms of power delineate general conditions of domination, Foucault writes:

> this domination is organised into a more or less coherent and unitary strategic form that dispersed, heteromorphous, localised procedures of power are adapted, reinforced and transformed by these global strategies all being accompanied by numerous phenomena of inertia, displacement, and resistance. [1980: 142]

Foucault's dilemma is expressed in the use of two words here—adopted and accompanied. The former indicates dissolution of 'localised procedures of power' in a unitary frame while the latter grants a certain space to 'numerous phenomena of inertia' that run parallel to the global scheme. However, Foucault's basic point that the modern state is structured around both an individualising and a totalising form of power offers a fresh point of departure for contemporary political praxis. Towards this end, he noted that "between the strategy which fixes, reproduces, multiplies, and accentuates existing relations of forces, and the class which thereby finds itself in a ruling position, there is a reciprocal relation of production" [1980: 203]. Post Marxism, thus, refuses to draw inspiration from the good old notion of the ushering in of socialism (according to some grand scheme of history) and instead outlines the need for numerous struggles to transform the state apparatus and social relations towards socialist goals. It also clearly emphasises the scope for human expression, freedom and action to achieve changes in personal and everyday life, and considers the idea of the state as 'special bodies of armed men, prisons, etc' [Lenin] as politically dangerous. In contemporary capitalist societies, as Dick Howard [1988] puts it, it is democracy, not revolution, that is revolutionary. When one falls back on critique as a theory for revolution, or leaps forward to a dialectical resolution, one only forecloses the scope of the political. Democracy accepts the challenge of immanent historicality while the theories of revolution are, in different ways, only different devices to neglect the present by judging it in terms of the fetished (and Hegelian) hope of a time when the real will be rational and the rational will be real.

If post Marxism advocates a hazardous course it is only because it proceeds from the understanding that reality as a field without telos is always already hazardous. Hence, the dislocations we cited above are better taken as a theory's historical fact rather than as symptoms of its undoing. This section commenced with highlighting the skewed consequences of Marxism's enlightenment lineage. It concludes with what Gramsci has to say about the positive role of the early modern state from the solitude of his fascist prison in Italy in the second decade of this century:

> The bayonets of Napoleon's armies found their road already smoothed by an invisible army of books and pamphlets that had swarmed out of Paris from the first half of the 18th century and had prepared both men and institutions for the necessary renewal. Later after the French events had welded a unified consciousness, a demonstration in Paris was enough to provoke similar disturbances in Milan, Vienna and the smaller centres. All this seems natural and spontaneous to superficial observers; yet it would be incomprehensible if we were not aware of the cultural factors that helped to create a state of mental preparedness for those explosions in the name of what was seen as a common cause. [1977: 12]

IV

Today when the Soviet Union has gone into voluntary liquidation after 74 years of existence, Marx's triumphalist note on the strength of capitalism comes back as an ironic reminder:

> The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian nations into civilisation. In one word, it creates a world after its own image. And as in material so also in intellectual production. The intellectual creations of individual nations become common property. [*The Communist Manifesto*]

While it is true that in a whole range of social fields literacy, health, education, equal opportunity, there is much to learn from the socialist history of the last seven decades as a principle of government socialism simply did not work. On the other side of the spectrum, the liberal ideas of constitutional democracy and the market economy have prevailed as a mode of social organisation and at the moment look particularly robust.

If contemporary social democracy leaves no space open for a polarisation around a central contradiction, this should not be read by the left as an occasion to get caught in the 'necrology of reason' rather in a truly post modern spirit it should become engaged in strategic participation in an increasingly pluralised social fabric. Negt points out that all the determining categories of Marxism have a double structure: they designate the sentiment graspable and discoverable dimension of reality, they also point beyond conditions reality has attained (Bloch's famous not yet). Following Marxist epistemology to grasp and to discover would also mean to actively participate. However, blind participation without any commitment to better possibilities is doomed to be reduced to nothing better than bureaucratic social engineering. Equally an elitist obsession with the normative dimension of Marxism leads to cultural pessimism which is self annihilating. The two ends are not, however, mutually exclusive and critique aimed at policy tries to put them on one plane. In this context Larry Ray's analysis is instructive:

> The left saw that the end of the post war boom in the 1970s would create new openings and following Habermas announced the coming legitimation crisis. But they failed to see that it was the new right that would capitalise on the crisis both to build new blocks of support and attack what gains had been made such as the institution of welfare. [1988: 103]

Let us here once more get back to Marx's celebrated advocacy for making philosophy the vehicle of praxis. In simple terms, what Marx tries to argue is that while philosophy traditionally (the work of Kant and Hegel included) is directed toward a concept of the completed world, Marxism conceives itself as a lever for movement toward social emancipation and a new society. As we see it, 'emancipation' as a theme can be a possible route to metanarrative but 'movement' is not. (In terms of our scheme, movement

here corresponds to Gramsci's 'war of position' and not so much to what he calls 'war of movement'—i e, to his concern for the transformation of civil society, and not for capturing state power.) Adorno reminds us that all thinking, including non-identity thinking, has a moment of identity, or what Spivak calls 'minimal idealisation'. If history is at once memory and hope, past and future weaving into an open present, then as a scene of working through history's preferred mode can be neither nostalgia nor prolepsis. Rather, it calls for provisional and pragmatic identity points, strategic locations for critical participation. Here the history of the modern state's civilising role becomes important. We tend to read Derrida's programmatic scepticism and respect for presence in this light only. For those Marxists who consider Derrida anathema for their 'purpose', the citing of Gramsci might help. Back in 1920, Gramsci diagnosed the main weakness of the Italian working class movement in terms of its failure to organise revolutionary relations into 'a concrete political system and a governmental programme'. Gramsci was arguing in the context of a fascist regime slowly taking over power. His diagnosis, however, has not lost its relevance for contemporary societies, particularly of the third world which historically have been deprived of any extensive labour of civil codification. Deconstruction of necessity calls for construction. However, if the only work of construction that critique of colonial discourse is going to remain engaged with is the unfounding of the founded, then it is destined to stay where it is at the moment: part of the first world theatre. In a way this is the principal enigma of post-enlightenment thinking as well. With the discounting of the grand theme of emancipation, the moment of emancipation can now be rescued. History is the arena of endless possibilities. It is wherever it is located.

Notes

1 Traditional Marxism, to be sure, has always been an arch-contestant of 'decentralisation' The concept, following the line of libertarian leftism, came into vogue on both sides of the Channel in the 70s. In France, as is well known, the convulsions surrounding the events of May 68 signalled the beginning of the decline of the PCF, whilst the 'politics of the street' saw the emergence of numerous marginal groups. These preached self-management, local control and politics of personal transformation, spurred on by a peculiar mix of western Marxism, Maoism and Lacanian psychoanalysis [see Karnooth 1986; Ali 1987].

2 Part of the problem of reading Heidegger and especially Neitzsche is understanding the particular enunciative stance of the text. Habermas [1987] flattens out Neitzsche's "How, finally, the real world became a fable. The history of a mistake" [*Twilight of the Idols*] as "There is no more truth." This helps him in bracketing Neitzsche as an 'anti-rationalist' while what Neitzsche was actually suggesting was something profoundly different: the need for a new vantage point for re-evaluating the history of truth in the west. Similarly, the sentence quoted in our text has been read by some scholars [Beilharz, for instance] as another gesture of the post-modern disavowal of truth, justice, universals, grounds, etc. Neitzsche, however, here not only attempts to de-ontologise and relativise such categories (much to the ire of the humanists), he is actually hinting at something much broader and pervasive—namely, the oppressive underside of historical enlightenment. One remembers here Foucault's succinct defence against the 'rationalists'. Foucault:

> If one places oneself on the level of propositions, on the 'inside' of a discourse, then the divide between truth and false is neither arbitrary nor modifiable, nor institutional nor violent. But if one situates oneself at a different level, if one seeks to know what the nature was (or, is) of the will to truth which has gone through so many centuries and shapes our will to know, then what one sees taking shape is perhaps like a system of exclusion—institutional, modifiable, historical, constraining system [1972].

3 Like any gerneralisation, the point about 'total reason' is not free from a touch of the hyperbolic. Any close reading of Rousseau or Diderot, or Goethe or Voltaire should make it clear that these thinkers are not oblivious of the problems of ratiocination. Also, various enlightenment thinkers—like Diderot—are empirical and not dualistic thinkers, while various philosophical traditions contain some dualisms—one finds them in Plato, in Yan and Yang, in the Bororo, in the Aztecs.

I acknowledge my debts to Peter Beilharz for this amendment. I, however, stand by my basic point that historical enlightenment attributes a certain innocence to rationality, whereby the powers of rationality are eclipsed by its professed ideals. As a direct result of this occlusion, human beings are caught in a space of subjective interiority and are subject to a new grammar of control. We are taken hostage to 'the castle of our consciousness' [Foucault, 1973: 21]. Not surprisingly, Kant uses the notion of *Mundigkeit* or maturity (translated as 'autonomous self-responsibility' in the context of Habermas) as the key explanatory term of enlightenment: it is consciousness that constitutes the subject and in terms of this constitution, the passage from pre-enlightenment to enlightenment is one of immaturity to maturity [Kant, 1977: 54]. In the third critique, i e, the critique of practical reason, Kant brings the vision of philosophy and the object of its vision to a neat equation, thanks to the operative notion of 'holy'. He argues there that to have access to the categorical imperatives, one has to be 'holy': Purging oneself of one's bodily appetites and merely social interests, one ascends into the divine and attains 'vision'—*i e*, sees clearly the eternal and unalterable laws of reason.

4 Perhaps it is of some worth remembering here that contrary to popular assumption, Althusser never actually 'uses' Saussure or Levi-Strauss for formulating his arguments. Commentators like Stuart Hall may be corrected on this score [see Hall, 'Cultural Studies: Two Paradigms' in Bennett et al edited, 1981].

5 Gramsci's stress on common sense may serve here as a corrective to Althusser's inspiration:

> Common sense is not something rigid and immobile, but is continually transforming itself, enriching itself with scientific ideas and with philosophical opinions which have entered ordinary life. 'Commonsense' is the folklore of philosophy, and is always half-way between folklore properly speaking and the philosophy, science, and economics of the specialist [1977: 326].

6 In his bid to steer Marxist science clear of any normative overtures, Althusser privileges the epistemic to the point where his enterprise gets precariously close to the familiar bourgeois tenet of 'cognitive autonomy' of theory. Later, primarily responding to the criticism of lack of political responsibility, Althusser alters his position significantly making an unconvincing attempt to reformulate 'Marxist science' as 'class struggle in theory' [1976]. The notion of 'class struggle' remains, however, a mismatch in the Althusserian terrain since even in the later recounting the 'cardinal principle' of the old epistemological hierarchy is a clear presence: the distinction between science and ideology is one between what is and what is not cognitively satisfactory in thought and in the lived relationship to the world [1976, 147-48]. Against Althusser's emphasis on epistemological correctness as the key to correct practice, we read Foucault's:

> In the Gulag one sees not the consequences of an unhappy mistake, but the effects of the 'truest' theory in the political order. Those who sought to save themselves by sticking Marx's true beard on the false nose of Stalin were not enthused [*Power/Knowledge*, quoted in Habermas 1987: 44].

7 Foucault's argument can be further augmented by pointing out that the fragmented 'subject-effects' common among the French philosophers of desire may just be a cover for the west as a subject of knowledge. For more on this line, see Spivak 'Can the Subaltern Speak?' [1987].

8 Interestingly, Foucault's whole project can in a way be seen as a response to this lack of Marx, making Foucault's work a supplementarity of Marxism. It is in this sense only that I read Balibar's recent comment:

> (T)he whole of Foucault's work can be

seen in terms of a genuine struggle with Marx, and that this can be viewed as one of the driving forces of his productiveness.... (I)t appears evident that for Foucault, the struggle with Marx never had an end just in itself and cannot be dissociated from other confrontations in which the role of Marx is secondary or tertiary, or even primary. ... As he develops his own questioning, Foucault does not cease to ask Marx questions which come from other philosophical and historical origins, just as he does not cease to ask other interlocutors, or adversaries, questions whose formulations depends on Marx [1992: 39].

Here it needs to be pointed out that the right/left divide among Hegelians is not as simple and unproblematic as it is at times made out to be. The 'right' Hegelians rejected the pre-modern notion of 'corporations' in Hegel's understanding of civil society and its relation to the political sphere. In a similar vein, they demonstrated remarkable 'progressive awareness in certain aspects of political sphere, defending such civil freedoms as that of the press. As a matter of fact, F J Stahl, the arch-reactionary social theorist, campaigned as much against both wings of Hegelianism. It is only in the area of the philosophy of religion that the split between the two camps takes distinct shape [see Dick Howard, 1988].

It might be of interest to note here that Marx's idea 'to make philosophy worldly and to make the world philosophical' was suggested a decade earlier by the poet Heinrich Heine, arguing that Hegel's identification of the rational and the actual was better taken as a charter to accomplish rather than an affirmation and reiteration of the established order.

In a different context, Derrida hinted at the elitism of the critique in his characteristic play of the terms 'proper' and 'property'—proper as self-present objectivity and 'property' as a version of the self-same determination. Derrida takes issue with Searle and Austin's bid to impose a sanction on the frivolous on the ground that it unsettles the clarity and precision of philosophical statements. The first criterion of science, claim Searle and Austin, is that it should be 'serious'. In his mock indulgent reply, Derrida points out that Searle and Austin can only define speech acts through ethico-political exclusions in order to attribute a certain status of 'standard' to ordinary language, they apply a protectionist policy that seals off a territory as 'parasitic' discourse. Derrida suggests that by privileging the cleanliness of linguistic performance, Austin and Searle create a 'theoretical fiction' To prove a similar point, Bourdieu cites Proust's struggles to push his 'dearest aesthetic impressions' [1985:485] to their cruellest limits where the pleasures of 'lucid vision' could co-exist with the most lurid. Bourdieu argues that the most sublime and most sublimated tastes co-habit with the most 'impure' and 'coarse', and, hence, the pure can only get constructed through an immense repression, a 'deliberate amnesia'. Citing Bourdieu in the midst of Derrida and German Critical theory marks a two-fold irony: first, here the butt of Bourdieu's critique is as a matter of fact targeted against none other than Derrida himself for the latter's 'disavowal' of the non-philosophical, a contested but important point that we take up in a forthcoming article ('Deflating the Interior. Problem of Interpretation in Cultural Studies'), second, Bourdieu's attempt to link the pursuit of purity with 'deliberate amnesia' lends a note of loaded irony in the German context, since critical theory, especially of Adorno, privileges 'high aesthetics' precisely to effect the opposite—namely, to remember the prescribed forgetting.

(For a detailed account on the Searle Austin/Derrida debate, see Spivak [1980]. Spivak herself performs a classic 'parasitic' operation when she [1987] forces a reading of Marx's concept-metaphor of money through Nietzsche's theory of language. After making the point that money conceals the heterogeneity of social relations irretrievably by 'substituting the category of substitution for an exchange which is necessarily asymmetrical', Spivak makes a surprise move to show its uncanny (reversed) resemblances to Nietzsche's analysis of the language of truth:

> two things can be pronounced equal, identical, or substitutable by first, a making equal of different things, next, a forgetting of that move, and, finally, a metaleptically created memory that conceals this genealogy[1987.35].

In such quick-footed shifting of attention from Marx's analysis of money to Nietzsche's expose of language's truth-claims, she not only textualises Marx but also points toward the 'befoulment of cleanliness (of theory) that textualisation must perform. This she holds, is textualisation's moment of 'radical impropriety', the moment when operations on the text go beyond the limits of the text.)

12 Here Hansen allows her imagination to follow the mode of certain radical strands of American deconstructive feminism. For instance, Naomi Schor. In her recent book, *Reading in Detail* (New York, 1987), Schor experiments with a set of rather provocative figural connections: synecdoche = knob = clitoris = femininity (19) [see, Morton 1991].

13 For translation of sections of Benjamin's *Passagen Werk*, see Buck-Morss[1983] and Rolleston[1989].

14 Compare this with Milan Kundera's description of Gustav Husak, the then Czech communist president, as 'the president of forgetting':

> Husak is known as the President of forgetting. The sadder the people are, the louder the speakers blare. They are trying to make an occupied country forget the bitterness of history and devote all its energy to the joy of everyday life. The history of music is mournful but the idiocy of the guitar is eternal. When Karel Gott, the Czech pop singer went abroad in 1972, Husak got scared. ... Karel Gott represents music minus memory... The President of forgetting and the idiot of the guitar deserve one another. [TV interview; Channel 4, UK].

15 Much as in the lacanian chronicle of subject-formation, the ideal Marxist subject can see itself as a whole only by being placed *elsewhere*. In the lacanian account, for about the first year after its birth the infant is not simply 'child', but *le corps morcele*—that is, the 'body in pieces'. It lacks a space and an image of its own from which to initiate a relation between itself as individuated organism and its reality. This lack is overcome by the advent of the mirror stage—a 'startling' spectacle. Through the apparatus of the mirror (or, vision) the infant's body is returned to it—unitary and localised in time and space—for the first time and the infant takes itself to be that image or body

16 On February 10, 1991, *Anustup*, the left-wing Bengali literary journal, and the Calcutta Booksellers Guild had jointly organised a discussion on 'The Recent Crisis of Marxism' as part of the ongoing seminars at the Calcutta Book Fair. The panel of speakers was distinguished, all well known in their respective fields: Debiprosad Chattopadhyay (a philosopher), Amiya Bagchi (an economist) and Azizul Haque (a Maoist writer) The Gulf War, it may be remembered, was only days away from being formally over The reaction of the city was predictable. the majority of the Hindu gentry could hardly conceal its euphoria that an Islamic state as mighty and important as Iraq had to take the battering it took, while this was interpreted by the ruling Left Front government as a sign of the need to beef up the 'secular character' of the city. The Calcutta left (at least those not caught between the two traditional affiliations of a controlled but pervasive Hinduism and a puffed up left ideology) was crestfallen that another Vietnam was not born on this occasion, a mood reflected among the audience of that evening To my amazement, all the three speakers were of the view that the real crisis belonged not to Marxism as such but to the US imperialism, now in its death-throes and, hence, desperate and insane enough to pulverise a small country beyond all proportions. Regarding the 'present difficulties' of the Soviet Union, the principal responsibility was placed squarely on the infamous workings of the CIA, and Gorbachev's role, his integrity and political allegiance was doubted with much repressed venom. To Chattopadhyay, no amount of conspiracy however could halt the ultimate triumph of Marxism and communism, if only the US, now a wounded beast, did not use the Gulf War as an alibi to turn the whole world into 'a lump of protons'. Bagchi's optimism, however, was tainted by his acknowledgement of 'the enigma of the Soviet decline' since the mid-60s. He had no suggestion, save

pressing the audience to take the writings of Tocqueville more seriously. Perhaps Haque made the most worthwhile point of that evening when he argued for an anti-establishment politics within the bounds of establishment. He did not allow himself enough time to elucidate on that score, preoccupied as he was with announcing the swelling ranks of the left in western university campuses—a claim which is, unfortunately, just not true.

17 Information gathered from Carter Centre Documentary, 'Big Guns, Toxic Whales', SBS Australia [September 1991].

18 Perhaps in this dilemma lies the reason for Foucault's sharp turn to personal ethics towards the end of his career.

19 For an excellent discussion on the relative merits of the works of Foucault and Poulantzas, see Bob Jessop's *State Theory* [1990]. Jessop's own attempt to go beyond both Poulantzas and Foucault by highlighting "the non-necessary correspondence among different elements which have been integrated into global projects and thereby transformed into relatively stable moments of a macro-social order" is not particularly convincing. Much as he might like to deny, Jessop's *State Theory* (like his earlier works) is considerably under the spell of Poulantzas.

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Subsidies in Higher Education

Jandhyala B G Tilak

GOVINDA RAO (1993) while replying to my criticism [Tilak 1993a] on his paper [Rao 1992] avoided important questions raised by me, concentrated on trivial and non-controversial issues, side-tracked the main issues and in all tried to mislead the readers. I wish to argue with Rao in the columns of the *Weekly*, for the policy issues raised by Rao are of crucial importance for the whole economy and its future; the paper is authored by an established researcher(s), comes from a respectable academic institute, published in an esteemed journal, and above all, it was originally commissioned by the union finance minister for policy use. Let me, however, briefly take up only the issues raised in the 'reply' by Rao. At the outset I may mention that I have raised four questions in my comment: (i) the reliability and relevance of the data source, and of the corresponding estimates on cost recovery in higher education, (ii) the base for 'economic pricing' of higher education, (iii) Rao's wisdom on the policy prescription to raise the *rate* of cost recovery to 50 per cent, and (iv) its superiority over other measures. Rao's response to none of these questions is satisfactory: on question (i) he seems to feel that the accounts presented to the state legislature and audited by the comptroller and auditor-general cannot but be right, and hence his estimates should also be right; on question (ii) Rao's 'economic pricing' means no more than 'fixing proper fees'; on question (iii) Rao did not bother to discuss on the quantum of cost recovery, or the recovery rate; he only tried to argue the need for (increased) cost recovery, with which one may not have much disagreement; and he says little on question (iv) but for passing quick judgments.

As I have mentioned earlier [Tilak 1993a], I do not question Rao's (1992) whole analysis of budgetary subsidies in various sectors, and general aspects of public finance. But let me state that Rao (1993) has once again showed his inadequate knowledge of economic and financing—theoretical as well as empirical—issues in education.

Rao notes that "recovery rates in capitation fee colleges and other unaided private institutions are obviously quite high (over 100 per cent). However, from this it would be highly misleading to conclude that recovery rates are equally high in publicly provided education." I have not argued that recovery rates in publicly provided education is as high as those in private institutions. I have clearly shown that the recovery rate is around 16 per cent in (public) higher education in India (1982-83), but not 1.7 per cent as Rao (1992) [and also Rao and Mundle 1991, 1992; Mundle and Rao 1991, 1992] have repeatedly reported. It is unfortunate that Rao refuses to look at the two detailed tables I have provided and my arguments made in my comment, and tries to argue in the most unprofessional style. When a researcher is contested with a set of estimates, which are claimed to be more reliable and relevant, but which are altogether different from his/hers, one expects the researcher to attempt at a critical look at the new set of estimates in comparison with his/her own, including the relative relevance and reliability of data base. It is most regrettable that Rao flatly refuses to do it.

By referring to rate of illiteracy (60 per cent in 1987-88, which is also possibly inaccurate given that the rate of literacy according to the 1991 Census was 52 per cent), and subsidy per student in primary versus higher education, Rao not only does not argue any thing new, but more importantly side-tracks the main issue. The question is not whether subsidies in higher education should be reduced or not, but how much. And I have argued that Rao's arbitrary proposition to reduce the subsidy by 50 per cent (increase the cost recovery rate to 50 per cent) is not based upon any knowledge of the international research evidence on financing higher education [see Tilak 1992], nor is it based on any sound logic, in the absence of knowledge on externalities associated with higher education, and accepted 'quasi' public good nature of higher education [see Tilak 1993b]. Rao simply overlooks this question.

To say that "in fact, I have *only* suggested reduction in the budgetary support" (p 892) is too indefensive an argument to defend. Rao clearly argued for fixing 'proper fees' and increase in cost recovery rate to 50 per cent. Quite interestingly Mundle and Rao (1992, pp 242-43) argue rather implicitly, but seem to feel hesitant to argue explicitly, for 100 per cent cost recovery. According to them, the total subsidy to the education sector as a whole was Rs 9,600 crore in 1987-88, out of which primary education accounted for Rs 4,200 crore. Then they observe that "introduction of proper user charges (at secondary and higher levels of education) could raise, at a conservative estimate over Rs 5,000 crore annually, from this sector alone" (p 243). Does it not amount to argue for nearly 100 per cent cost recovery through user charges (and zero government subsidy) at secondary and higher education? Even strong advocates of privatisation of education will not agree to such a proposal.

The most important question of controversy is on the choice of the data base, and the relevant indicator on cost recovery. I wish to argue that when the policy reform suggested refers to student fees, it is *relatively more* important to look at what the student pays, than what the government exchequer gets. The difference between the two need to be probed into, as I have argued earlier [even though Rao (p 892) feels that it is 'not essential' for him to reply on this issue]; it *may* be due to genuine or ingenuine leakages in the system, for no fault of the student. While I would not mind if one suggested that both are important, to take an extreme stand, and for the sake of argument, I would not mind even rejecting budgetary receipts as irrelevant in this context, if reliable data are available on what the students pay, because we should be more concerned with the incidence of fee burden on the students, and their ability to pay more rather than the needs of the government, while proposing reforms in fees. Again this question does not bother Rao.

About the definition of subsidy and recovery rate, I had already noted that some general clarification is provided in Rao and Mundle (1991), but I only wished that it was necessary to clarify the same in case of education specifically (p 245). Instead of using the reply to clarify this, he narrates in one full column, how subsidy was estimated in general in 85 sectors and sub-sectors, which he himself had noted that I had already taken note of. Yet he states that "without bothering to read the original paper. ." I complained or levelled charges against him. One expects Rao to state clearly whether the subsidy and the recovery rate he used were the same as used in the literature on educational finances.

I have only argued that there are problems in applying principles of economic pricing (market determined prices) to education, and in this context observed that marginal cost pricing has specific problems, even though Rao did not refer

to marginal cost pricing. I have not complained about it; but Rao spends nearly half a column on this to state merely that he has not argued for marginal cost pricing, but for 'economic pricing', and which means for him little different from 'fixing proper fees'. I wish he had used the same space to comment upon what I have said on marginal cost pricing.

While trying in vain to provide some explanation for the difference between the two data sources, viz, the education department (of the ministry of human resource development), and the state budgets, which is the source spring of the main problem, Rao (1993) is found not sufficiently well-informed. He states that "the expenditure and revenue figures published by the department of education cover all recognised educational institutions, including government institutions as well as private aided and unaided institutions" including capitation fee colleges and other private institutions (p 892). Rao may note that while in principle, private unaided institutions are expected to be covered in the data of the department of education, in practice, rarely a sizeable number of such institutions provide data, that too reliable ones (particularly since the beginning of the 1970s). Due to large non-response errors and unreliability of such data, there has also been a feeling that data on unaided institutions should be separately published. This point has been repeatedly discussed by educational planners and administrators in the country, including in the most recent National Seminar on Educational Statistics with emphasis on Financial Statistics held at the National Institute of Educational Planning and Administration, New Delhi (February 1993).

Further, Rao's awareness of the literature on the problem seems to be limited. Neither in the original article [Rao 1992], nor in the other articles [including the reply, Rao 1993; Rao and Mundle 1992; Mundle and Rao 1991, 1992], even a single reference could be found on education, while voluminous literature is available on the subject. It should be noted that though the article(s) is not on education exclusively, it contains a good amount of discussion on education, particularly policy proposals. In fact, education is the only area where sector-specific reforms have been so clearly and quantitatively specified in these papers. Further, Rao's line of arguments is not in any way new. Laymen to serious researchers and planners passionately argued on the same lines, for increase in fees.

My main criticism is that most of the policy prescriptions relating to financing education tend to be based on passionate and emotional arguments, but not on sound research evidence. Regretfully, one has to say that Rao had also to do the same. I have discussed elsewhere in detail at least some methods of mobilising resources for higher education that are commonly being suggested, including uniform increase in fees versus discriminatory fee structure, student loans, graduate tax, and a few other forms of privatisation, and argued that discriminatory fee system might seem to be more sound, efficient and equitable compared to the other measures [Tilak 1993b; Tilak and Varghese 1991, 1992]. For Rao these issues do not warrant any discussion, nor a reply. Without entering into any debate on these issues, Rao proposes (does not even discuss the pros and cons of), in isolation, uniform increase in recovery rate (fees) along with scholarships and loans to the poor (the last clause was added clearly only now in Rao 1993). In fact, Mundle and Rao (1991, p 1163) were more careful in making their proposal, when they argued for "charging higher user charges on those consumers having higher purchasing power", meaning that fee increases need not be uniform on all, in which case, it meant that they argued in favour of some kind of discriminatory fee system, and my proposal was a more elaborate one on the same line. Rao (1992, 1993) does not recognise this; and on the other hand, passes a judgment that the measure suggested by me is not one of the better methods. In fact, it would have been valuable, had Rao marginally gone further on his argument that "consumers ought to pay a price... And at the same time, the poor should not be denied access to higher education, ...and for that appropriate financing mechanisms will have to be found" (p 892), an argument that is being made by laymen as well as researchers alike. But alas, Rao refuses to proceed further.

Rao observes that my comments are mere assertions, not based on any logical reasoning! It needs no efforts to show that it is Rao, who based on some (not necessarily reliable and relevant) estimates on cost recovery, and without any knowledge and discussion on (a) the costs of higher education, (b) the socio-economic composition of students in higher education, (c) the abilities, particularly the differential abilities of the students to pay for higher education, (d) actual levels of expenditure incurred by students and their parents on higher education, and (e) available alternative methods of financing higher education. knowledge on all of which is absolutely essential to make any sound policy suggestions of the kind made, makes off-the-hat suggestions on the extent of cost to be recovered from the students.

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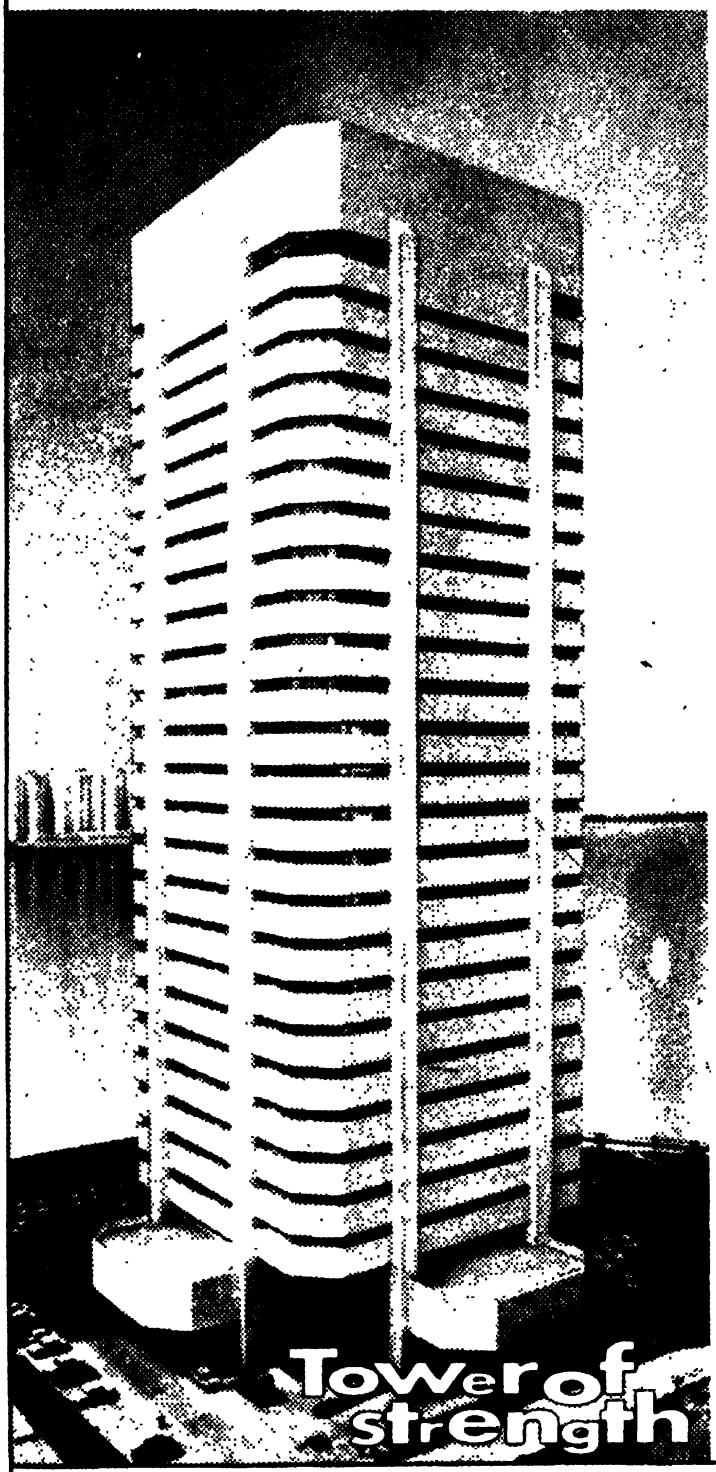


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Power of Hindu Communalism

The discursive power of Hindu communalism does not spring as much from single texts or even a chain of them as from the swift creation of a popular network of certain tropes themes structures and apprehensions, at the heart of which functions a single mobile trope to provide the necessary ideological orientation This produces a formation of immense potency and amazing flexibility For, it constantly secretes new meanings, whole traditions to itself producing from its formative moment a web of thought that ranges from stereotypes of statistical and sociological analysis 1305

Competitiveness Revisited

The advocates of the structural reforms that are being introduced in the Indian economy have brought the question of competitiveness to the centre of the discussion A critical examination of the theoretical content of the concept of competitiveness however brings out that it has a very deceptive appearance and as a result is easily misunderstood Hidden under its apparent simplicity there are many complex facets and failure to recognise and take into account these complexities may result in the wrong kind of globalisation of the country's economy Given the structural characteristics of a typical less developed economy it is essential that the idea of competitiveness is grasped in its full complexity before an appropriate reform package is presented Unfortunately, there are reasons to suspect that this awareness is particularly absent among our present economic policy makers 1326

Lessons of NLM

Both the euphoric claims of the success of the national literacy programme and the misgivings voiced by critics questioning these claims require serious investigation The government's decision to appoint a committee of experts to evaluate the programme is therefore to be welcomed though it is to be hoped that the committee will also confront some of the larger questions that have been raised by the National Literacy Mission experiment in the last two years 1274

Seeds and Patents

The commerce minister has sought to assure the country that the government would not accept patenting of seeds, but the *sui generis* system of protection that it has accepted is little better and will severely restrict the rights of farmers and breeders in the country with grave consequences for self reliant growth in agriculture 1280

Importance of Equality

Equality has always depended on the stage of social development At the present moment in India it need not prescribe an utopian equality between university professors and primary school teachers, but only equal availability of drinking water, medicine, educational opportunities and certain elements of social justice 1330

Health Care

The issue of equality of access to health care has two related aspects access for whom and access to what While public policy has tended to remove some of the important barriers in access to health care it has had to face more acutely the question access to what 1291

Task for the Left

The left in Bihar faces an uphill task in channelling the slowly growing discontent of the masses with the Laloo Prasad regime along a progressive and democratic direction 1279

Reshaping Racism

Over the past few years images of Muslims have acquired an important place within the racist discourse of the British establishment reflecting a new element within the racism faced by Britain's Asian communities 1288

New Company

The Arabs after Ayodhya hate us we therefore hate the Arabs and cross over to the Israelis The latter however go calling on the Bharatiya Janata Party The Israelis have declared their abhorrence of terrorism and fundamentalism and endorsed all the way our stand on Kashmir but you never know they may go even further and endorse the BJP proposition on Article 370 too 1271

LETTERS TO EDITOR

Pressures on Film Industry

WE are distressed about the pressures being mounted on the film industry by communal parties and organisations We are particularly anxious that this will threaten institutional procedures for monitoring the content of films and create a system of private censorship, deriving its clout from the brute capacity for street violence against all citizens This is clear ly an incipient fascist attempt to legislate the nature of the images which will repre sent our society

The Bombay film industry has over the decades of its existence been plural in its recruitment and composition, and has usually been hybrid in its language, music and cultural references though often not so in its dominant themes The present at tempt, however, to suppress this hybridity, is not based on any appraisal of Bombay cinema but constitutes an attempt to con trol the most powerful existing popular medium We fear that this may also be an attempt to communalise the film industry with the help of methods being used against other industries in Bombay in the last four months

Central to the agenda of communal groups has been a 'code of conduct It is remarkable that organisations and parties which have consistently broken all laws and codes of conduct in acts of violence, especially against women as in Surat, should have the temerity to represent themselves as upholders of social morali ty Their strictures against 'underclad' women on screen echo the repressive, anti women dimensions of fundamentalist movements everywhere Further they take recourse to the cliched rationalisations of male violence as is evident in Shatrughan Sinha's remark that "a man can't help reacting on seeing" a representation of an underclad woman 'and acting upon it (*Sunday Observer* interview May 16) Unlike these groups feminists have long campaigned against the representation of women as sexual objects but as part of a wider agenda for social change which will free women from patriarchal restrictions

Clearly communal organisations are not concerned about the betterment of women just as they are not concerned with improving social relations as a whole For instance, their insistence that no temple can be shown as a venue of criminal ac tivity is a red herring It displaces atten tion from the fact that a numbe of religious institutions have been misused as sites of communal propaganda and incite ment to violence in the past decade, and temples are no exception

The government is not making a serious attempt to prevent either censorship of hoardings and films or coercion of indivi duals and film organisations We strongly urge like minded citizens to condemn such communal pressure and urge the govern ment to fulfil its responsibilities

Ravi Vasudevan Geeta Kapur Kumkum Sangari Shikha Sen Ritu Menon Pankaj Butalia Uma Chakravarti Zoya Hasan Tanika Sarkar Vivan Sundaram Urvashi Butalia Anuradha Kapur Prem Chowdhury Prabhat Patnaik Sumit Sarkar Rajeev Bhargava Gautam Navlakha Neeraj Malik Tani Bhargava Indrani Chatterjee, Neera Chandoke, Tapan Basu Mukul Kesavan Abha Sur Anuradha Chinoy Ram Guha Rekha Basu Kamal Chinoy Amit Kumar Gupta Prabhu Mohapatra Monisha Dhawan Kokila Dang Syeda Hameed Sumit Guha Shakti Kak S P Seth Achin Vanaik

New Delhi

Role of Civil Liberties Groups

K G Kannabiran's commentary on the Koyyuru kidnap (March 20-27) brilliantly analyses the state character and so called progressive bureaucrats role in the esta blishment In conclusion he has raised pertinent questions what should be civil liberties organisations' relations with the radical and democratic movements? Should it play a transforming role? or confine itself to maintain a crime audit of the state?

In releasing Ranadeva, the AP govern ment acted as if it has stuck to the rule of law in the past It moved bail petitions in Warangal and Nagpur courts and put the entire state under a fear psychosis for nearly three weeks to demoralise the outlawed PWG

The same party under the Channa Reddy regime had withdrawn as many as 2,400 cases relating to the arson and violence that took place in the wake of murder of Congress(I) MLA V Mohan Ranga Rao in December 1988 Violence erupted after the assassination of Rajiv Gandhi and the cases filed against the mafia were also withdrawn by the noto rious chief minister Janardhana Reddy In the same way the present C M K Vijaya bhaskar Reddy withdrew cases relating to the killings organised to dethrone Channa Reddy by the then dissident group led by Janardhana Reddy and Y S Rajasekhar Reddy

This sort of 'administration' not only leads to the breakdown of the autonomy of the police in criminal investigation and subverts the judicial process but also, the criminal turned politicians gain social respectability Simultaneously, it en courages the dangerous nexus between and among criminals, politicians, bureau crats and the police This is what happen ed in the case of the late IGP Vyas, who was accused in the timber smuggling case and the late H K Babu, an IAS officer who accumulated illegal property (and wives) and, of course, justice Ramaswamy These are the 'types' our 'democratic' in stitutions have produced

In a statement recently issued to the press from Karimnagar, Balagopal stated among other things that revolutionary parties had distributed five lakh acres of land within the span of 20 years, whereas the government has distributed only 75,000 acres to the girijans through the Land Tribunal While these are the visible ground realities one cannot stick to the strict legal perspective or maintain only a crime audit of the state Certainly, one day or the other we should join hands with the forces that fight against the ogre

A READER

Andhra Pradesh

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ECONOMIC AND POLITICAL WEEKLY

End of the Road?

DANGER signals for the republic are being heralded not simply by developments involving the persona of the prime minister Going by the evidence, the chief election commissioner is also energetically at work to ensure that this republic comes to a speedy surcease. Despite vicissitudes, the survival of the country as a parliamentary democracy depends on the people being able to regularly elect their representatives to the legislative bodies as per the directives of the Constitution Under Article 324 of the Constitution, the conduct of elections to parliament and state legislatures as well as to the offices of president and vice-president is vested in the election commission The election commission is charged with the responsibility to organise and supervise these elections In case the commission fails to arrange for any of the elections according to schedule, obviously there is, to that extent, a failure of the constitutional process and therefore a failure of the system

This is precisely what has actually happened with respect to one of the states constituting the Union of India Under the Representation of the Peoples Act, each state must have a chief electoral officer to preside over the elections in the state under the overall guidance of the chief election commissioner. The latter selects the chief electoral officer in consultation with the state administration, there is a further stipulation that the person selected has to be an officer of the state government concerned Last January, the officer holding the position in West Bengal had to undergo surgery in order to have her gall bladder removed; since she was concurrently the state's health secretary, she applied for leave to the state government The leave was granted, and she adjourned to the operation table. The chief election commissioner reportedly took umbrage because she did not seek leave from *him*. The chief electoral officer was peremptorily removed from her post What has since ensued is both comic opera and absurd drama. The state government, according to its claim, has been submitting, one after another, names for the consideration of the chief election commissioner for possible appointment to the vacant slot; the chief election commissioner, on one ground or another, has been rejecting the names. The controversy was initially triggered off by a disputation over the state government's view that the chief electoral officer could work part-time, combining the office with the performance of concurrent other official responsibilities in the state. The chief election commissioner demurred, and insisted on a full-time officer. The government of West Bengal finally relented on the point, but meanwhile the chief election commissioner, who enjoys a reputation of easy irascibility, has decided to widen the field of battle. In the case of all states, he has ordained, the chief electoral officer, along with other employees of the state government on deputation to the election commission, must be under the latter's total jurisdiction should any of these employees be found remiss in his or her functioning while with the commission, the latter must have the prerogative to punish him or her Not just the government of West Bengal, a number of other state governments too, besides the union government itself, are experiencing difficulty in accepting this view As a result, the fat is on the fire Till as long as the government of West Bengal does not accept in full his point of view in the matter, the chief election commissioner is determined not to appoint a chief electoral officer for the state While elections and by elections are being held elsewhere in the country, these are therefore in abeyance in West Bengal Three by elections are pending for the state assembly for nearly a year, what is much more important, six out of the 16 seats allotted to West Bengal in the Rajya Sabha are currently lying vacant and are likely to remain so when parliament convenes for its monsoon session

As far as precedence goes, the Constitution actually ranks the Rajya Sabha ahead of the Lok Sabha That apart, the Rajya Sabha, as its very nomenclature suggests, was conceived of as the chamber where problems specifically related to the states are to receive priority in discussions If, whether because of the whims of the chief election commissioner or because of other factors, a state is prevented from electing representatives to the Rajya Sabha to the extent of 40 per cent of its total representation, at least some people belonging to that state might legitimately begin to think that they are being pushed out of the Union of India That thought could lead to far-reaching consequences In effect, therefore, the chief election commissioner's intransigence is almost tantamount to de-stabilisation of the polity, something which is the ruling party's particular bugbear

It is a most unusual situation, where the election commission instead of holding elections is holding them up Comments on aspects of the imbroglio, which has now reached the courts, have been diverse and wide ranging One extreme suggestion is to impeach the chief election commissioner on account of his intransigence, since impeachment is the only procedure the Constitution has provided for his removal As the V Ramaswamy affair has however so convincingly demonstrated, that kind of action is more easily proposed than implemented. Another proposed way out is to amend the Constitution so as to render the chief election commissioner altogether powerless to create situations in future of the kind he has at present created No constitutional amendment is in fact necessary for the purpose, Article 324 has already provision for making the election commission a multi-member body, all the union government has to do is to appoint two or three additional election commissioners

so as to cramp the peremptory style of functioning of the incumbent chief election commissioner According to reports, the prime minister is extremely reluctant to have to resort to this easy procedure He evidently does not want to offend an official who has rendered signal service to the ruling party and might continue to do so during the remaining part of his tenure. There is also the absurd--but not necessarily unbelievable- story that since the present chief election commissioner was appointed on the recommendation of Rajiv Gandhi, to do anything which rouses his ire would cause offence to the lady ensconced at a certain Jan Path address

The suspension of the electoral process in West Bengal has, at the same time, created a predicament for the ruling party It was hoping to elect the commerce minister, at the moment without a seat in parliament, to one of the six seats currently lying vacant from that state. If elections for those slots are not to be held for some more while and the minister stays unelected, he ceases to be a minister by the middle of July Desperate situations call for desperate remedies Two extraordinary proposals have now emanated from ruling party circles First, the minister should be nominated to the Rajya Sabha under sub-clause (b) of clause (1) of Article 80 There is a problem here too though Members nominated to the Rajya Sabha, the same article states categorically, shall consist of persons having "special knowledge or practical experience" in respect of literature, science, art and social service While a dignitary of the ruling party may *ipso facto* claim to have expertise in social service, issues of both propriety and precedents might rear their head no person, nominated to the Rajya Sabha under this provision, was in the past ever chosen as minister, the only occasion when a minister was appointed by the president from amongst nominated members, the person concerned immediately resigned his nominated membership, and preferred to be elected to parliament through other means

The other proposal mooted to ensure the tenure of the minister has even more far-reaching implications Other things remaining the same, the commerce minister would of course cease to be so on a given date in July since the Constitution says that one can continue to be a minister without being a member of parliament only for a period of six months and that period would be over on that date It has nonetheless been suggested, apparently with a straight face, that he could be reappointed as minister the very next day and thereby continue for another six months without being elected to parliament Parliamentary democracy thus promises to come to a cheerful finale in the country

THE ECONOMY

Claiming Too Much

THE government has taken to issuing hand-outs on the state of the economy, generally patting itself on the back These official reviews have been very selective with regard to the data put out and the aspects of the economy covered Even from the government's point of view, it may be asked, what purpose is served by thus creating exaggerated popular expectations?

The latest such review expectedly makes much of the fall in the inflation rate, the narrowing of the fiscal deficit and the stabilisation of the balance of payments situation It is claimed that as a result of the tight monetary policy and the fiscal correction bringing down the fiscal deficit to 4 7 per cent of GDP in 1993 94, the rate of inflation measured by the wholesale price index, which had reached a peak of nearly 17 per cent in August 1991, had declined to around 6 per cent, with the decline being particularly marked in primary articles including foodgrains This is not being altogether honest about the facts or about the factors responsible for inflation control In the first place, much the larger part of the reason for the deceleration in the inflation rate lies in the break of inflationary expectations following the good agricultural output in 1992-93 and again this year Secondly, the claim of tight monetary control has long ceased to be valid There has in fact been a significant relaxation of monetary measures – quite correctly—and inflation does not seem to be linked to them either way Apart from the three-step reduction in the minimum lending rate from 19 per cent to 16 per cent in the space of less than three quarters of a year, the banks' cash reserve ratio (CRR) has been reduced a part of financial sector reform No impact of monetary restraint is discernible in any of the monetary variables Net RBI credit to the centre, the monetised deficit of the central government, had reached Rs 13,661 crore as on June 4, 1993 a level over 50 per cent higher than it was a year ago (Rs 8,933 crore) Besides, within a period of two months (April May 1993), M_3 growth has been as much as Rs 17,985 crore (or 5 per cent) as against the policy goal of containing annual monetary expansion to 12 per cent in 1993-94 True, the expansion of Rs 19,204 crore (6 1 per cent) in the comparable period of April May 1992 had been higher, but that was due to some exogenous factors Finally, the government cannot really claim credit for reducing the inflation rate from 17 per cent to 6 per cent, for the 17 per cent rate was caused by the government's own two-step devaluation of the rupee in July 1991 The inflation rate was about 12 per cent when the Narasimha Rao government took over in June 1991, it was still 13 6 per cent after nine months at the end of March 1992 The inflationary pressures were really contained only after the prospects of a good agricultural crop in 1992 93 became known The fiscal compression no doubt played some role, but its contribution was more to creating recessionary conditions in industry than to containing inflation Over the past one year, while primary articles' prices have increased by 2 per cent, the prices of manufactured products have risen by 6 7 per cent With the cost plus pricing policy generally adopted by Indian industry, manufacturing prices have been stubborn in many cases even after the radical reduction of excise duties in the 1993 94 budget

The claim that the foreign exchange reserves have been stabilised at $ 6 67 billion is similarly factually flawed Foreign currency assets including SDRs which had crossed $ 7 billion as on April 30, this year have since fallen to $ 6 3 billion This is despite import levels having been sluggish because of the recession in industry If imports of petroleum products and general imports now start to grow at a faster rate as they are likely to, the pressure on foreign exchange reserves will mount once again in the coming months

There are a number of aspects of the economic situation about which the government's reviews should have been more forthcoming Apart from the severe recession in industry on which the government seems quite clueless, even the official response to the currently abundant stocks of foodgrains with the public agencies because of the large procurement of rice and wheat has been notably unimaginative with the focus on possibilities of export though there exists much scope for generating employment as well as building capital assets in rural areas through food based employment programmes

Finally, all official reviews of the economic scene are silent on employment The reason is, of course, that all indications are that non farm employment growth has been minimal During the 1980s, manufacturing enterprises in the public sector were the only part of the organised sector where some additional employment was being generated But more recent data for 203 central government enterprises now reveal that there was an absolute decline in the number of employees from 18 93 lakh at the end of March 1990 to 18 87 lakh at the end of March 1991 and further to 18 45 lakh at the end of March 1992 Statistics from employment exchanges also point to a

decline of employment growth in the non-farm sector. The number of applicants on the live registers of employment exchanges reached 36.76 million at the end of December 1992, an increase of 1.3 per cent over the level (36.3 million) a year ago. This is despite the fact that with the reduced ability of the employment exchanges to secure placements, the number of fresh registrations is not growing as fast as in the past. There has occurred a steady decline in number of vacancies notified by the employment exchanges. In 1992 such notifications numbered 4.21 lakh as against 4.60 lakh in 1991, a fall of 8.5 per cent; the peak level of vacancies notified was 5.99 lakh in 1989 which fell to 4.90 lakh in 1990 and 4.60 lakh in 1991. Similarly, the number of placements effected through the exchanges has been falling steadily; it was 2.54 lakh in 1991 which fell to 2.4 lakh in 1992; the number of placements had already declined from 2.89 lakh in 1989 to 2.66 lakh in 1990.

GOLD BONDS

To What Purpose?

THE gold bonds scheme, which has been on tap for three months from March 15 to June 14, has, it is claimed, more than fulfilled the government's expectations. The government had expected subscriptions of only 7.2 tonnes of gold valued at about Rs 300 crore, whereas the scheme has actually netted as much as 40.89 tonnes worth Rs 1,631 crore. Further, when the government had launched similar schemes in 1962, 1977 and 1980, it had been able to collect only 13 tonnes, 16.3 tonnes and 6.1 tonnes, respectively. These claims, however, need to be taken with a pinch of salt for a variety of reasons.

First, the gold bond scheme is, and has always been, meant for large unaccounted money and asset holders whose command over resources has expanded tremendously in recent years. As a proportion of gross domestic product or as a percentage of household financial and physical assets, the hidden incomes and assets of the rich would have increased many-fold since the mid-60s or the mid-70s. The gold bonds scheme 1993 was especially generous in terms of tax benefits: total exemption from capital gains, wealth and gift taxes; interest income free of income tax; and, above all, complete immunity under all tax laws to the subscriber against disclosure of the source of acquisition of the gold. All studies of unaccounted income in the country have concluded that if such income had constituted 25 per cent of GDP in the mid-60s, it would now have crossed 50 per cent of GDP (to put it in terms of broad magnitudes). The base of unreported income and wealth, out of which subscriptions to the gold bonds have come, is today very much larger than in the past when the ealier schemes were floated.

Second, there is a distinct change in the government's approach to tax evasion and holding of black income and wealth. There is much less fear of the tax authorities and consequently much less nervousness about the possible consequences of disclosure than in the past. A third important factor is that the stock of gold in the country has been substantially augmented, essentially through smuggling. Between 1964 and 1992, about 3,250 tonnes are estimated to have been added to private stocks of gold. This may be said to have been done with the connivance of the government machinery and also with the tacit support and even inducement provided by government policies. Thus the 16.3 tonnes collected in 1977 probably constituted about 0.30 per cent of the then gold stock estimated at about 5,460 tonnes; the 40.89 tonnes collection in 1993 constitutes about 0.55 per cent of the current estimated private stock of about 7,500 tonnes—not as much higher as the difference in the absolute quantities of gold collected might lead one to expect.

There is, however, an all-important fourth factor. Quite unlike in the past, there is now available an officially recognised route of gold import into the country, with tax immunities of all sorts including from gift tax so that gold holdings can be nominally divided among one's kith and kin. Holders of unaccounted money can thus easily convert their black money into NRI-imported gold and subscribe to the gold bonds. This is exactly what seems to have happened. It is significant that the bulk of the gold invested in the bonds is known to be primary gold and not gold jewellery unlike in the past. Cities and towns of the two states of Maharashtra and Gujarat have accounted for 17.49 tonnes (or 42.8 per cent of all the gold collected under the scheme). Bombay city alone has accounted for 9.45 tonnes (or 23 per cent). Under the NRI gold import scheme, 92 tonnes of gold had been imported up to the end of December 1992, but with the approach of the closing date of the gold bond scheme NRI imports began to shoot up. Total imports under the gold import scheme had touched 153.15 tonnes by the first week of June.

A more candid assessment of the gold bonds scheme would be that it was a thoughtless exercise which will cost the public exchequer dearly. First, it is not domestically held gold that has been invested in the bonds; it is essentially primary gold imported through the NRI scheme or smuggled gold, both of which generally get financed through the 'havala' route. They involve diversion of the country's foreign exchange earnings—current and potential, directly and indirectly. Secondly, the whole venture has given the authorities less than 10 per cent of official holdings of gold (including the RBI's holdings of 353 tonnes), the equivalent of about $600 million at the price prevailing in the Indian markets and a little less than $500 million at the international price. While this can hardly be of much support to the balance of payments, it is a moot point if the whole exercise would earn for the Reserve Bank the cost of operation and interest which may together amount to Rs 200 crore or so.

ARMED FORCES

IMET and Human Rights

A correspondent writes:

DEFENCE ministry officials are sulking over an amendment passed by the US House of Representatives recently, which, if made into a law, may cut off US funds to India for training in superior military technology and upgrading its indigenous defence R and D. The final shape of the amendment—which will have to pass through the US Senate—hinges on the US view of the government of India's human rights record.

The House of Representatives adopted the amendment which seeks to deny $3,45,000 allocated for India in the US foreign aid bill under the IMET (International Military Education and Training) programme for the fiscal year 1994. The amendment said that India should be given the amount under the IMET only after the president had certified in writing to Congress that New Delhi had improved its human rights record.

Although the amount is considered insignificant by both Washington and New Delhi, the IMET allocation has important implications for the Indian armed services in terms of their exposure to the latest defence technology. Since 1947-48, when India became a beneficiary of the IMET programme, and till 1990, 800-odd Indian staff level officers and technical personnel had been trained in various professional military education courses. The number of trainees again may appear insignificant. But their role assumes importance at crucial moments, as during the first Indo-Pak war, when their training in flying Sabre jets under IMET stood them in good stead.

But the IMET programme has a sinister aspect. The major beneficiary-trainees of the programme are army and police personnel from Latin American countries like Peru and Colombia. On the plea of suppressing the gangsters of the narcotics mafia in those countries, the US Congress (under the Anti-Drug Abuse Act of 1988)

permitted IMET funds to be used for training courses and munition donations for these members of the armed forces The US Congress did not impose restrictions requiring the recipient country to maintain a democratic government under which law enforcement agencies did not engage in a consistent pattern of gross violations of internationally recognised human rights As a result, the military aid given to the Andean armed forces for the 'war on drugs' in reality, instead of curbing the flow of drugs in the recipient countries, aggravated the violation of fundamental human rights in these countries Human rights groups have documented cases of torture and killings of political dissidents in Peru and Colombia by members of these armed forces who had been trained under IMET These groups have been pressurising US Congressmen to stop further military aid to these countries, until their governments show political will to investigate, prosecute and curb brutality by their military and police forces

It is against this background of domestic pressures on the US government to stop military training of armed personnel of states which are notorious for violating the human rights of their citizens that the latest step by the House of Representatives in relation to India becomes significant New Delhi's record of human rights violation in Punjab, Kashmir, the north-east and other parts of the country is fast reaching proportions that resemble the performances of the minions of the tin pot dictators of Latin American countries It is yet to be proved however that there exists a direct relationship between the US training courses under IMET and the abuses committed by Indian army men and security forces To establish whether or not such a relationship exists, it is necessary to gather information about the nature of training imparted to the Indian servicemen Did it include counter insurgency training? Similar training to military personnel in south east Asia and south and central America had led to some of the worst crimes against humanity

GOVERNMENT ENTERPRISES

Starved of Investment

THE way the public enterprises in this country are treated as handmaidens of politicians in power and considering the additional costs that they have to bear under this dispensation, one can only marvel at their survival as operating entities And now they are facing additional pressure under the structural adjustment programme of the government One dominant element in this programme is the direct and subtle attempts to reduce the role of the public sector in the Indian economy on the unproven premise that public enterprises are, by their very nature, inefficient and high-cost Given freedom and operational flexibility, the professional managers of these enterprises, who have filled a major entrepreneurial vacuum in the Indian context, would have shown greater dynamism and produced better results Apart from creating an industrial base in the country, many a public enterprise has helped to expand India's technological base and offered stiff competition to multinationals as well as private industrialists in India As for their costs and efficiency, any simple comparison with private sector companies is bound to be odious, for public enterprises generally have significantly different capital structures, pricing policies and social obligations and, therefore, they cannot be judged entirely by conventional commercial standards Also, if public enterprises incur some extra cost in terms of employing more persons than required and generally show more inefficiency in deploying personnel and materials, private enterprises inflict on the economy other costs, quite a few of them hoodwink shareholders consumers and government and siphon off resources from corporate bodies to private coffers The large number of financial companies that private sector manufacturing and processing companies float as a matter of course is evidence of this

While comparisons can be misleading, some of the findings of a study by the Centre for Monitoring Indian Economy (CMIE) on central government enterprises are interesting First, the operating profit to sales ratio of public enterprises has been generally close to that of private sector companies 10 33 per cent in 1989 90 9 92 per cent in 1990-91 and 10 28 per cent in 1991 92 for the former as against 9 63 per cent, 10 35 per cent and 10 67 per cent, respectively, for the latter For similar levels of sales turnover of Rs 1,37 745 crore for public enterprises and Rs 1,35,856 crore for private sector companies in 1991 92, the levels of operating profits were again close to each other, Rs 14,155 crore and Rs 14,495 crore, respectively It is in the subsequent apportionment of the operating profits that there are significant differences Public enterprises paid as interest Rs 9,308 crore as against Rs 7,179 crore paid by private companies—that is, about 30 per cent more because they have higher debt capital It is partly because of this and partly because of their capital intensive nature that the return on capital of public enterprises is lower than that of private sector companies

Secondly, there is no doubt that for the same level of sales turnover, the public enterprises paid higher wages in 1991-92, Rs 11,393 crore as compared with Rs 10,455 crore paid by the private sector companies, i e, higher by Rs 938 crore. As against this, so called 'other variable expenses' incurred by the private sector companies were higher by Rs 3,816 crore, that is, Rs 9,511 crore in contrast to only Rs 5,695 crore in the case of the public enterprises Quite a substantial part of such variable expenditure could be eliminated if a closer scrutiny of them were undertaken

While admitting that there is much scope for improving the operational efficiency of public enterprises, it is necessary to put in a word of caution The current emphasis on financial restructuring of public sector enterprises, while it may be necessary, ignores the need to restore to public enterprises their broader goal of strengthening the technological base of Indian industry and thus achieving an increasing degree of self reliance, particularly in respect of technological upgradation Indian private entrepreneurship is incapable of adopting an independent path in this respect, what with its tendency to cling to foreign technology, foreign tie ups and foreign brand names An efficient public sector with an aggressive investment programme supported by the state is a necessary condition for rapid development at the present stage

Apart from technological independence, there is the employment angle to development Without public sector involvement and in the absence of some forward looking policies on industrial employment, the incidence of unemployment is likely to rise As it is, it is found that employment in the 203 central government enterprises studied has registered a significant fall in the two years of stabilisation and structural adjustment from 18,92,538 persons in 1989 90 to 18,87,021 in 1990 91 and further to 18 45,251 in 1991 92—a loss of 2 5 per cent in two years in contrast to an annual growth of 2 5 per cent in public sector employment in the 1980s If the government has found labour redundant in certain industries, such as heavy and light engineering, coal, and textiles, where the above decline in employment has occurred, it is entirely because the budgetary policies of the government have prevented the fulfilment of planned investment, expansion and technological upgradation in these industries It is this aspect of government policy which requires a fresh look as otherwise the recessionary conditions in Indian industry will remain unabated, for the private sector cannot fill the gap in terms of the size and structure of investment created due to retrenchment of the public sector

Prospering in Changed Fertiliser Scenario

Jairaj Kapadia

GUJARAT NARMADA VALLEY FERTILISERS COMPANY (GNFC), Bharuch, has recorded improved sales turnover and excellent production and capacity utilisation in 1992-93. This has been achieved despite annual shutdown of 27 days. Almost all products have contributed to increase in the sales turnover. GNFC has achieved a rare feat in the production of ammonium nitrophosphate (ANP) during the year. In the second year of its commercial operation, the ANP plant has been run full steam with a capacity utilisation of nearly 100 per cent. This rare accomplishment has enabled GNFC to meet the challenge of providing phosphatic fertilisers to farmers, despite market odds, thus ensuring essential balanced application of fertilisers.

GNFC produced 5,05,429 tonnes of ammonia (capacity utilisation over 113 per cent) and 6,60,818 tonnes of urea (capacity utilisation over 111 per cent). The nitrophosphate plants produced 1,41,491 tonnes of ammonium nitrophosphate (1,23,654 tonnes in the previous year), 93,807 tonnes of calcium ammonium nitrate (62,526 tonnes) and 6,823 tonnes of formic acid (6,803 tonnes). The electronics division showed spectacular results with a growth rate of 61 per cent in printed circuit boards and 43 per cent in rural automatic exchange (RAX) and EPABX.

Intensifying its promotional and marketing operations, GNFC recorded a turnover of Rs 582.70 crore thus improving its performance by 7.9 per cent over last year's figure of Rs 539.79 crore. In fact, the sales and other income of the company has crossed the Rs 600-crore mark at Rs 606.30 crore compared to Rs 543.24 crore in the previous year. Except for ammonium nitrophosphate, price realisation was higher in all other products. Sales aggregating 8,91,944 tonnes (previous year 8,58,197 tonnes) comprised 6,56,356 tonnes of urea, 1,41,846 tonnes of ammonium nitrophosphate and 93,742 tonnes of calcium ammonium nitrate. Sales of industrial products comprising methanol, formic acid, concentrated nitric acid, weak nitric acid, ammonium nitrate and liquid nitrogen increased to a new high of Rs 122 crore compared to Rs 107 crore in the previous year. These constituted 18.4 per cent of total sales turnover. Sales of electronics products amounted to Rs 23.65 crore against Rs 15.29 crore previously, showing a significant rise of 55 per cent. During the year, the company exported directly goods worth Rs 2.68 crore as against Rs 1.13 crore exported in 1991-92.

GNFC has earned about the same profit of Rs 196.09 crore as in the previous year before interest, depreciation and taxes. After providing for interest, depreciation and taxation for the year as well as arrears of depreciation for the previous year, the balance for appropriation amounts to Rs 20.92 crore. Dividend is maintained at 15 per cent. Reserves and surplus at the end of 1992-93 amounted to Rs 163.99 crore. Out of term loans of Rs 1,112.96 crore, Rs 574.84 crore were repaid during the year. Gross block at the close of the year stood at Rs 1,051.04 crore.

Satisfactory progress was made during the year in implementation of new projects entailing an investment of Rs 958 crore. The 100 per cent export oriented acetic acid plant is being implemented ahead of schedule. Process design package received from BP Chemicals UK, as well as L and K for acetic acid and C O plant respectively, has been approved. Mitsui Engineering, Japan has started basic engineering work based on process design package documents. Humphreys and Glasgow, Indian contractors, have started detailed engineering work on items being procured indigenously. Against total project cost of Rs 199.50 crore, Rs 115.74 crore have been committed. The new project to produce 10,000 tonnes per annum TDI and 20,000 tonnes per annum aniline by a new company, Narmada Chematur Petrochemicals promoted jointly by Chematur AB, Sweden and IBI, Chematur has been proceeding ahead of schedule. The project envisages a total investment of Rs 308 crore as appraised by the IDBI and

The Week's Companies

(Rs lakh)

Financial Indicators	Mipco Seamless Rings		Machino Plastics		Muller and Phipps	
	March 1992	March 1991	March 1992	March 1991	March 1992	March 1991
Income/expenses/profits						
Net sales	1316	973	1296	1010	1182	743
Excise duty	39	158	273	205		
Other income	42	18	10	2	25	10
Increase (decrease) in year end finished stock	53	12	27	(12)	56	24
Raw materials consumed	723	518	752	586	925	514
Power and fuel	115	79	50	31	3	2
Other manufacturing expenses	143	73	15	12		
Labour cost	63	45	58	25	67	52
Other expenses	51	28	83	72	199	151
Operating profits	313	257	395	276	68	51
Interest charges	43	40	183	101	33	29
Gross profits	270	217	212	175	35	28
Depreciation	62	54	128	103	2	2
Profits before tax	208	163	84	72	33	26
Tax provision	57				15	13
Profits after tax	151	163	84	72	18	13
Dividends	45	36	26	21	8	7
Liabilities/assets						
Paid up capital	300	300	307	208	40	40
Reserves and surplus	284	178	135	90	41	30
Long term loans	110	208	551	777		
Short term loans	60	77	200	182	169	147
Other liabilities	156	123	100	53	278	177
Gross fixed assets	835	818	1119	1103	36	35
Accumulated depreciation	369	307	389	248	19	18
Inventories	305	213	243	120	118	63
Of which finished goods	119	66	33	6	117	61
Receivables	11..	133	218	163	296	222
Loans and advances	22	22	51	44	30	48
Cash and bank balances	5	5	39	120	41	24
Investments						
Other assets		2	13	8	26	20
Total liabilities/assets	910	886	1293	1311	528	394
Key financial ratios						
Turnover ratio	1.45	1.10	1.00	0.7	2.24	1.89
Return on sales %	20.52	22.30	16.36	17.33	3.96	3.77
Return on investment %	29.67	24.49	16.40	13.35	6.63	7.11
Return on equity (%)	25.86	34.10	19.00	24.16	22.22	18.57
Earning per share	5.04	5.43	2.73	1.46	4.66	3.76
Dividend (%)	15	12	12	10	20	18
Book value per share (Rs)	19.47	15.92	14.40	14.34	20.22	17.50
Current market price	30		23.75		90	
P/E ratio	5.95	—	8.70		19.31	

assistance.

The TV glass shell project of Videocon Narmada Electronics in collaboration with Videocon International is running on schedule and is expected to be commissioned in 1993-94. This project will have a total investment of Rs 450 crore

MACHINO PLASTICS

Maruti Link Helps

Machino Plastics is another company serving the automotive sector to have done better despite the latter's passing through difficult times The company is engaged in manufacture of plastic moulded components for automobiles and is the sole supplier to Maruti Udyog. As Maruti Udyog is pushing on with its production plans with another model of cars being put on the market, Machino Plastics expects to be thriving with MUL's expansion.

The results for the year ended March 31, 1992, have shown increases in both sales and profits Again, as in the case of Mipco Seamless Rings, profit as return on sales has worked less, but as a ratio to investment it has improved Turnover ratio, too, has amounted more at 1 per cent compared to 0 77 per cent for the previous year. Return on equity as well as EPS have worked out lower, which is due to an increase in share capital during the year. The dividend is raised on increased share capital from 10 per cent to 12 per cent

Long-term loans as at the close of the year have declined from Rs 777 lakh to Rs 551 lakh However, borrowings are to increase following a proposal of cash credit facility of Rs 350 lakh made by the Bank of Tokyo, New Delhi There is a proposal by the company to diversify its business. It has been approached by leading manufacturers of fully automatic washing machines for development of plastic moulded washing tubes and other components The company has taken up production of the same.

MIPCO SEAMLESS RINGS

Improved Working

With the working for the year ended March 31, 1992, Mipco Seamless Rings (Gujarat), the automotive ings company which earlier encountered problems of rectification of its plant, has made a break through. And this despite the automotive industry, particularly passenger cars and trucks, still witnessing recessionary conditions in the market. With the latest concessions in the union budget for this sector by way of reliefs in excise and customs duties, a company like Mipco Seamless Rings in the automotive components business is bound to do still better

Production for the year 1991-92 increased in quantity from 30,18,763 to 33,77,292 pieces and so also sales from 30,29,095 to 33,42,176 pieces and in value from Rs 1,131 as return on sales declined from 22.30 per cent to 20.52 per cent, the return on investment significantly improved from 24.49 per cent to 29.67 per cent. With a restraint on loan funds employed in business, interest charges were restricted despite the high rates prevailing at Rs 43 lakh against Rs 40 lakh for the previous year. And though net profit due to a provision of Rs 57 lakh for tax amounted less at Rs 151 lakh against Rs 163 lakh for the previous year, the company declared a modestly higher dividend of 15 per cent against 12 per cent for the previous year.

These highlights of the year's working point to a distinct turn for the better for the company which the tight reins on the finances by the management (receivables reduced from Rs 133 lakh to Rs 112 lakh and loans and advances maintained at Rs 22 lakh) further strengthen. Even as due to the prevailing market conditions Mipco Seamless Rings scrip is going abegging at a price-earnings ratio of 5.95, it provides a welcome opportunity for investors. Meanwhile, the company has further cleared production bottlenecks with addition of certain balancing equipment and experienced a steady rise in sales further during 1992-93

MULLER AND PHIPPS

Changed Business Strategy

There is a sort of a secret in the far expanded business of Muller and Phipps (India), the company known for the 'Cuticura' talcum powder, during the year to March 31, 1992 Sales income for the year has registered a sharp rise from Rs 743 lakh to Rs 1,182 lakh thanks to the company employing its marketing network and taking on distribution of other companies' products The returns on this are not any high, but they come free of manufacturing costs For the year under review they have certainly made a fair contribution to profits. No wonder then that the directors have decided to consolidate the distribution house business, especially in areas where the marketing and sales staff have established a strong reputation This is likely to stand the company in good stead, since the directors state in their report that inflationary pressures have lowered the company's margin on its own products The change made in business strategy has meant also a higher dividend of 20 per cent for the shareholders

ACC

Depressed Demand

Associated Cement Companies has reported for the year ended March 31, 1993 a sales turnover of Rs 1,520 crore as against Rs 1,417 crore for the previous year. However, operating gross profit before interest, depreciation, extraordinary items, tax and prior years' item has declined to Rs 181 crore profit after interest but before depreciation and extraordinary items to Rs 124 crore from Rs 283 crore. Profit before tax has worked out to Rs 80 crore against Rs 213 crore for the previous year and profit after tax to Rs 70 crore against Rs 110 crore. The company has maintained dividend at Rs 30 per share on the capital increased by a 2:5 bonus issue made during the year.

Production of cement during the year was 74.81 lakh tonnes against 77.59 lakh tonnes the previous year. Capacity utilisation was 98 per cent as compared to 102 per cent previously. The plants at Gagal, Madukkarai and the new plant at Wadi recorded once again highest ever clinker production with capacity utilisation exceeding 110 per cent. Shortfall in production was mainly on account of planned stoppage of Gagal plant for 25 days prior to commissioning of the expanded capacity of the existing plant and unprecedented power shortages in the states of Bihar, Madhya Pradesh and Karnataka. Sale of cement by the company was 75.09 lakh tonnes against 76.14 lakh tonnes for the previous year. However, sale of purchased cement was higher at 5.94 lakh tonnes against 3.67 lakh tonnes previously. Export of cement was a record 1.38 lakh tonnes against 0.55 lakh tonnes for the previous year. The refractory business achieved a turnover of Rs 58.11 crore compared to Rs 37.89 crore during the previous year. The sale of refractory products from the plant at Katni was higher by 18 per cent over the previous year.

Several new products were introduced to the Indian market for the first time with in-house research and technical collaboration from leading international refractory producers. The Research and Consultancy Directorate of the company achieved a billing of over Rs 12.21 crore as compared to Rs 7 62 crore in the previous year. The company's personnel at Yanbu cement plant in Saudi Arabia achieved record production for a third successive year and also earned highest ever bonus of Rs 1.03 crore.

The setback in profits is due to prices of cement remaining depressed throughout the year while the operating cost increased steeply due to unprecedented rise in the administered cost of coal, power, rail freight, diesel oil, etc. The cost of labour also increased steeply with the four-year settlement arrived at with the recognised unions on a bilateral basis for the first time. The recent upward revision in dearness allowance rates payable to workmen in public sector enterprises has also increased the wage bill in view of similar benefits applicable to the company's workmen. These inflationary conditions coupled with demand recession experienced by the cement industry for the first time in 10 years along with the significantly reduced purchase of cement by government agencies adversely affected the profit margin during the year. Profit before tax was further adversely affected by increased interest charges on account of higher working capital requirements.

Nikumbh Dairy Products

NIKUMBH DAIRY PRODUCTS is establishing an integrated dairy project at Shahpur, Thane, and expanding its existing dairy at Kolhapur in Maharashtra. The processing of milk and the production of milk-based products like pasteurised milk, flavoured milk, ghee, dairy whitener, instant tea and coffee-mix, etc, will be undertaken at the Shahpur unit. Commercial production for the expanded capacity at Kolhapur is expected to commence by August 1993 and the Shahpur unit by October 1993. As per the appraisal done by Bank of India, a turnover of Rs 32.27 crore and a net profit of Rs 1.85 crore in the first full year of operation are expected to be achieved. In the second year they will be Rs 45.43 crore and Rs 1.99 crore respectively. To finance in part the total project cost of Rs 670.50 lakh, the company is entering the capital market with a public issue of 27,13,700 equity shares of Rs 10 each for cash at par aggregating Rs 271.37 lakh on July 12. The shares will be listed at the Bombay, Ahmedabad, New Delhi and Pune stock exchanges. BOI Finance and Reliance Capital and Finance Trust are the lead managers to the issue.

Uniworth India

Uniworth India, promoted by Woolworth (India), a 100 per cent EOU in the field of worsted yarn, and the Lohias, has a proposal of establishing a global marketing network for export and trade in consumer goods at a cost of Rs 7.30 crore. It is making a capital issue of Rs 17.70 crore. The excess after meeting the project cost is earmarked for investment by the promoters in a forthcoming project, Fabworth India, which is expected to make a public issue by the end of this year. The capital issue by Uniworth India is in the form of a new instrument of Equipref shares as is conceived by the lead managers, SBI Caps. It is to comprise 48 lakh Equipref shares of Rs 50 each at par of which part A of Rs 20 is to be converted into two equity shares of Rs 10 each at par and part B of Rs 30 into an unspecified number of equity shares at 30 per cent discount of six-month average of the market price after five years. The company has projected for Rs 177.83 crore income in 1993-94 to fetch a profit of Rs 4.95 crore and yield an EPS of Rs 3.31. By 1996-97, income is expected at Rs 211.77 crore, net profit at Rs 6.80 crore and EPS at Rs 5.06. The promoter company Woolworth (India) has recorded a 250 per cent growth in sales in the last two years, from Rs 8.47 crore to Rs 71.81 crore. The Lohias have promoted companies like Indo Rama Synthetics (Indonesia), Ashok Textiles (Nepal) and Indo Rama Synthetics (India) at Pithampur, M P Fabworth, the projected company, is to be setting up a Rs 81 crore project for manufacture of fashion fabrics for export markets. The novel Equipref instrument that Uniworth is employing for its capital issue is a mix of equity and preference shares, since part B for conversion into equity after five years of issue is to carry interest at 10 per cent yearly till conversion. Further, holders of Equipref shares are to carry a preferential position in any rights or public issues of shares by any of associate or group companies. However, there is a time lag in returns on investments.

Teknomin Aqua Exports (India)

Teknomin Aqua Exports (India) is setting up a 100 per cent export-oriented unit comprising a shrimp hatchery, grow out farm and shrimp processing plant under one roof at a capital outlay of Rs 7.65 crore. The company has a tie-up with J V Marine Enterprises, Taiwan, for shrimp hatchery for which the company has to pay $ 45,000 as technical know-how fees. The company plans to use in-house technology for grow-out farm and shrimp processing. To part finance the project the company is making a public issue of 41,00,000 equity shares of Rs 10 each at par totalling Rs 410 lakh. Out of the project cost of Rs 7.65 crore as appraised by Federal Bank, term loan from State Bank of Travancore stands at Rs 2 crore. This amount has been sanctioned only in principle and final approval is awaited. Out of the total equity, the promoters' stake is about 26 per cent. Projections put the EPS at Rs 1.84, Rs 5.29 and Rs 6.88 for 1993-94, 1994-95 and 1995-96 respectively. The issue opens on July 5. Listing in four stock exchanges at Hyderabad, Ahmedabad, Bombay and Madras is being done. Federal Bank and Inter-Corporate Financiers and Consultants are the lead managers to the issue.

Pressman Leasing

Pressman Leasing, closely tied to the more famous Pressman Advertising and Marketing, provides lease and hire-purchase finance to business and industrial groups like RPG Enterprises, Macneil and Magor, Balmer and Lawrie and Grindlays Bank. It has won the IMM-LIC Award of Excellence and has received clearance from the SEBI to act as Category I merchant banker. The company was started in 1983 by Niren Suchanti and is now expanding its leasing and hire-purchase business. Its proposal has been appraised by the ICICI, which has estimated the requirement of funds for 1994 at Rs 14.56 crore. The company is meeting this with a rights-cum-public issue of share capital for an amount of Rs 10.71 crore and internal accruals of Rs 3.48 crore. The capital issue comprises offer of 17.55 lakh equity shares of Rs 10 each at a premium of Rs 10 per share on a right basis in the proportion of 1:2 and 35.98 lakh equity shares of which 5 lakh shares to the NRIs and 30.87 lakh shares to the public on the same terms. The issue opens on June 28 under ICICI Securities and Finance as lead manager. As per ICICI's appraisal, Pressman Leasing's total income and net profit are to rise from estimated figures of Rs 6.85 crore and Rs 2.63 crore, respectively, in 1993-94 to Rs 10.13 crore and Rs 3.56 crore.

Alpine Housing

The NRIs, S A Kabeer and G H S Gupta, apparently driven by the concessions allowed to non-resident Indians by the government in investment in real estate and housing—freedom to repatriate sale proceeds of land purchase three years after acquisition of land and to invest in two houses instead of only one hitherto—have come together with land developer S A Rahman in Bangalore to set up Alpine Housing with proposals of investing in real estate and developing property in Mangalore where housing activity is now fast growing. The company has drawn up a project on these lines which State Bank of Mysore has appraised is to cost Rs 3.50 crore. All of the project cost is being met with equity, with the promoters contributing 40 per cent of the share capital and raising the balance 60 per cent from the public. Projects worth Rs 1.25 crore have been signed by the company of which Rs 3.60 crore cover two projects of procurement of land for building complexes and the balance amount is for undertaking construction activity. These are to yield, according to projections made by the company, a sales turnover of Rs 8.23 crore and net profit of Rs 53.38 lakh during 1993-94, with EPS of Rs 1.53. By 1995-96 the turnover is to increase to Rs 15.10 crore and so also net profit and EPS respectively to Rs 1.42 crore and Rs 4.07. Out of a share capital issue of 34.99 lakh equity shares of Rs 10 each at par the company is offering 21 lakh shares to the public on June 30 under SBI Caps and State Bank of Mysore as lead managers to the issue.

—JK

STATISTICS

Index Numbers of Wholesale Prices

(1981-82 = 100)

	Weight	Latest Week 5.6.93	Variation (per cent) Over Last Month	Over Last Year	Over March 27, 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	236.2	0.5	5.8	1.3	9.8	13.7	10.3	7.5
Primary Articles	32.3	234.7	–	1.6	1.1	7.3	18.1	13.0	2.2
Food Articles	17.4	273.1	0.4	2.0	1.7	12.3	20.2	11.8	1.2
Non-food Articles	10.1	224.5	0.9	0.5		0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	246.0		14.9		14.1	13.2	12.3	3.6
Manufactured Products	57.0	235.3	0.9	6.7	1.8	10.5	11.3	8.4	11.3

Cost of Living Indices

	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
Industrial Workers	1982 = 100	245[4]	0.8	6.1	0.8	9.9	13.5	11.2	6.5
Urban Non-Manual Employees	1984-85 = 100	205[3]	–	7.3	6.8	NA	13.5	11.0	6.9
Agricultural Labourers	July 60 to June 61 = 100	1,053[3]	0.5	0.7	0.7	12.3	19.3	7.5	3.2

Money and Banking

	Unit	Latest Fortnight 28.5.93	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,80,349	3,056 (0.8)	46,061 (13.8)	17,985 (5.0)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,88,032	2,275	20,181	11,858	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,713	571	24,156	4,654	24,389	24,173	21,443	23,822
Net Foreign Exch. Assets of Banking Sector	Rs crore	24,128	1,190	5,234	792	6,155	10,098	1,915	149
Deposits of Scheduled Commercial Banks	Rs crore	2,76,452	1,708 (0.6)	36,431 (15.2)	9,305 (3.5)	36,389 (18.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,56,168	651 (0.4)	22,799 (17.1)	5,114 (3.4)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 11.6.1993							
Foreign Exchange Assets (excluding gold)	Rs crore	19,837	1,324	5,774	359	5,385	10,223	1,383	795
	US $ mn	6,293	–428	811	174	2,346	3,383	1,137	854

Index Numbers of Industrial Production

(1980-81 = 100)

	Weight	Latest Month (Feb 93)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	220.8	211.6	2.1	207.2	0.2	8.6	8.7	7.3
Mining and Quarrying	11.5	241.0	218.8	0.9	216.8	0.9	6.3	7.9	3.8
Manufacturing	77.1	210.5	202.3	1.8	198.7	1.4	8.6	8.7	7.9
Electricity	11.4	270.5	267.4	4.9	255.0	8.7	10.8	9.5	7.7
Basic Industries	39.4					3.8	5.4	9.9	5.6
Capital Goods Industries	16.4					17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5					6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6					10.4	6.3	4.2	6.5
Durable Goods	2.6					14.8	1.7	12.0	7.8
Non-Durable Goods	21.0					9.4	7.5	2.5	6.2

Foreign Trade

	Unit	Latest Month (Feb 93)	Cumulative for* 1992-93	1991-92	1991-92	1990-91	1989-90	1988-89	1987-88
Export	Rs crore	5,312	47,234	38,970	43,978 (35.1)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)	15,674 (25.9)
Import	Rs crore	5,096	57,302	42,917	47,813 (10.7)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)	22,244 (10.7)
Balance of Trade	Rs crore	216	–10,068	3,987	3,835	10,640	7,735	8,003	6,570

Employment Exchange Statistics

	Unit	Latest Month (Sep 92)	Cumulative for* 1992	1991	1991	1990	1989	1988	1987
Number of Applicants on Live Register	Thousand	37,171	37,171	36,098	36,300	34,632	32,776	30,050	30,247
Number of Registrations	Thousand	533	4,188	4,862	6,238	6,541	6,576	5,963	5,465
Number of Vacancies Notified	Thousand	34	316	365	460	490	599	544	621
Number of Placements	Thousand	20	180	197	254	266	289	330	360

National Income

	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore			3,50,899	2,94,765	2,60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,443	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (–1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year. – Not available.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g. superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

Calcutta Diary

AM

The Arabs, after Ayodhya, hate us, we therefore hate the Arabs and cross over to the Israelis. The latter however go calling on the Bharatiya Janata Party. The Israelis have declared their abhorrence of terrorism and fundamentalism and endorsed all the way our stand on Kashmir; but you never know, they may go even further and endorse the BJP proposition on Article 370 too.

CHOOSING sides is an awkward exercise. Ask the Poles. They loved Solidarity, they adored Lech Walesa, loving Solidarity however meant loving the Pope as well—they constituted a joint supply. But the Pope has snatched away from Polish women the right of abortion, which was bestowed upon them by totalitarian communism. Or consider the case of the Americans. They were at the receiving end of the fury fundamentalists had unleashed in Iran. Curiously enough, in neighbouring Afghanistan, where it was a question of resisting the expansionary devices of the evil empire, the fundamentalists were a godsend to them. The US administration is in a similar bit of dilemma in Bosnia. The humanitarian lobby is clamouring for help, including active military assistance, to be immediately organised to save the beleaguered Muslim community from wholesale liquidation. On the other hand, scratch a Muslim and is he not, in 99 per cent of the instances, a fundamentalist at heart? Should not moral issues hence be shoved aside and Muslims allowed to die like flies?

Such dialectical problems bob up endlessly as one keeps hopping from one country to the next. With the collapse of the Soviet monolith, there is no dearth of countries to target for this hopping-around business. On some grounds, the Azarbaijanis ought to get your vote; should you stumble on some *other* grounds, you would opt for the Armenians. To take yet another example, Latvia and Lithuania were amongst the earliest republics to rise in revolt against Soviet hegemony: Russian troops, out, out. A most noble sentiment. At the same time, Boris Yeltsin, president of the Russian federation, is such a dedicated foot soldier for democracy. He is dearly in love with the idea of letting his troops elongate their stay in the Baltic lands. So what does Foggy Bottom decide?

The Americans are not the only ones befuddled by dilemmas of this nature. We, the poor Indians, are equally in a blue funk. The decision-makers in New Delhi have been facing a particularly excruciating predicament for some years. Whatever its hue, fundamentalism without question has to be got rid of: it strikes at the root of the nation's unity and integrity. Be honest though, fundamentalism has its good points too. In the season of parliamentary elections, it can be put to effective use, by availment of the media, to entrap dumb voters in this the world's largest democracy. But there are other complications. The slogans called for for evoking fundamentalist emotions amongst the majority community could alienate the minority community. The latter form an equally solid vote bank, it has delivered faithfully ever since the first general elections held more than 40 years ago; would it not be a bad trade-off to give up the bird in hand for the sake of the two in the bush? Further instances of dichotomised choice are not difficult to come by. Love the Bharatiya Janata Party, it has endorsed the new economic policy; beware of the BJP, it has walked away with our Aryavarta constituency. Love the farm lobby, they deliver the rural vote; look askance at the farm lobby, their tantrums make it impossible on our part to satisfy the Fund-Bank conditionalities in entirety.

The presence of such contradictory pulls and pressures has had one major consequence. The old British shibboleth in regard to the collective responsibility of the council of ministers has fallen by the wayside. One minister is dead certain about the hidden Pakistani hand triggering off the Bombay explosions; according to another minister, no concrete evidence has yet been unearthed to entertain any such suspicion. One minister airdashes to Madras to seek Kumari Jayalalitha Jairaj's forgiveness. let bygones be bygones and the great Tamil Nadu concordat, symbolising the communion of the Ganga and the Cauvery, be restored to full glory. Another minister stops just short of describing Kumari Jayalalitha Jairaj as a congenital practitioner of terminological inexactitudes. Sometimes the same minister contradicts himself between one day and the next; on day one Jyoti Basu must be sent to the gallows; on day two Jyoti Basu is the kindly light who will lead us out of perdition.

Much of this is however quite in line with the basic tenets of Hindu philosophy; you can switch your faith from the *advaita* doctrine all the way to one which defends to the hilt the notion of a polypoly of the gods. Such switching and re-switching could turn out to be a non-stop exercise; still, neither you nor your adversaries need be overly concerned over the constancy of your inconsistency. If it is March 1992, the finance minister has not the least doubt that the post-budget share market boom bears testimony to the wisdom the budget was stuffed with; if it is June 1992, the finance minister has other things to do, he could not afford to lose his sleep if some wretched share prices went up or down or moved laterally.

In the immediate post-independence years, choices were relatively less complicated. Assessed in the light of ancient history, the sympathies of our rulers were with the Zionists; once the context was shifted to more recent history, these were for the Arabs. Since Jawaharlal Nehru loved to move with the times, the Arabs were the obvious favourites. With Kashmir increasingly becoming the focal issue in debates with Pakistan on United Nations forums, our mind was made up for us. Pakistan must not be permitted to take for granted the support of the Islamic countries. Have we not invested a great deal of material resources and spiritual energy on nurturing the non-aligned movement, have we not chanted one utilitarian invocation after another in praise of Afro-Asian solidarity? Some Arab countries, the United Arab Republic the foremost amongst them, were therefore bound to be with us were matters over Kashmir to come to a head; at least, they would not be, for politeness' sake, against us. In effect, we leaned on the principle of reciprocity; it was good, clean fun. Every Arab cause was an Indian cause, and, we hoped, it would be vice versa. In odd years, we even remembered that we are the largest Muslim nation on earth, edging out Indonesia. We applied, brimful of a feeling of legitimacy, for membership in the Organisation of Islamic Countries. While the issue of full membership remained indeterminate, they at least did not deny us observer status. One or two dialecticians back home entered a mild caveat about a secular republic pretending to join a denominational jamboree. Indian metaphysics, the jokers should have known, is capable of making mincemeat of run-of-the-mill scepticism.

Since Ayodhya, things have become somewhat stickier. A standing committee of the Organisation of Islamic Countries—or is it of the Islamic Economic Council?—has passed a resolution recommending the imposition of a trade embargo on India; since our government allegedly merely looked on while the Babri mosque was razed to the ground, the OIC countries are toying with the idea of denying us further supply of petroleum crude. This is of course absurd, but we are somewhat handicapped in launching a vigorous counter-attack because of one or two extraneous factors. Following the demise of the eastern bloc, the non-

aligned movement too has chosen to go into hibernation The NAM was originally set up as a bargaining counter It was a remarkable beauty, it enabled us to develop the panache to play one superpower against another Now that there is only one superpower left, the occupation of bargaining is gone No virtue is to be squeezed out of non alignment, NAM has thus been rendered a non combatant Our contacts have loosened, it is no longer possible to buttonhole Arab friends at all times of the day Desperate situations call for desperate remedies Besides, were not our wise men of yore wont to advise always maintain a cool head on your tor so? On account of the ghastly occurrence on December 6 last and subsequent events we are, as of this moment, without too many friends in the Arab world We ac cept that reality But precisely because we have few friends left amongst the Arabs consequent to the doings of the Vi wa Hindu Parishad, we decide to go the whole hog and embrace the foreign policy of the VHP· we go all out to woo Israel That is to say, we decide, for a change to return to the cool waters of ancient history Or if it pleases you, our stance is akin to following the precept underlying a song once much in favour in American playpens 'Lost my partner, what shall I do, I'll get another one prettier than you' The Israelis are for the present to be preferred to the beastly Arabs, who are threatening not to sell us oil True this revisionism would not solve the probl m of shortage of petroleum crude more so since we abhor the stick in the mud ideology of self-reliance and will not, as a matter of principle, raise our domestic output of crude. But there are compen sations The Israelis have apparently pro mised to lend us one or two Mossad con tingents who will help us catch that beast Velupillai Pirbhakaran On the other hand, Israelis have a long memory, per haps because they have a long history Their foreign minister quoted from both Jawaharlal Nehru and Ved Mehta So far so good When it was after hours though, he called on Lal Krishna Advani, whose party had been ever since antiquity against the Arabs and for befriending Israel W meaning our leaders, are once more caught in the contradictions of hypotheses. The Arabs hate us, we therefore learn to hate the Arabs, and cross over to the Israelis The latter however go calling on the Bharatiya Janata Party A matter of some solace, the Israelis have declared their abhorrence of terrorism and funda mentalism and endorsed all the way our stand on Kashmir, but you never know they may go even further and endorse the BJP proposition on Article 370 too

In the circumstances, our poor prime minister is forced to go fishing in Tashkent, Alam ata and even remoter tracts in central Asia, the Karimovs and Nazarbayevs have to be assured that we are not totally sold on Israel, we are mere ly worried over the spread of terrorism and fundamentalism Is not fundamenta lism proving an equal threat to each of the erstwhile Soviet republics in central Asia Uzbekistan Tadzikistan, Kirgizhstan, Turkmenistan and so on? If ever they are in need of friends, they should not be bashful, they should just call us, we will co operate with them to organise an Asian Solidarity Front Against Fundamenta lism Meanwhile as token of earnestness on our part here is ten million dollars apiece in convertible currency This too is a hoary central Asian custom, the expres sion, *baksheesh* is itself of central Asian origin

Walking up and down on both sides of the street is nonetheless a game ridiculous ly easy to pick up, and by any party The central Asian republics we want to befriend again (Muslim fundamentalism do not mind being o e-time fundamentalists themselves They want to keep their op tions open, some of them have applied for membership of the Organisation of Islamic Countries part of the Islamic Econo mic Council on the wise principle that if you cannot beat them, join them Unlike the philosophers infesting India, they are a pragmatic lot In case the only way to save themselves from fundamen talism is to embrace it, why, they will not mind changing the colour of their ensign

Such *realpolitik* should not actually scandalise the mandarins in New Delhi, who have of late developed a taste for the free market Once the world of ideology recedes into oblivion, the market principle begins to hold sway in each and every sphere Soccer players are known to sell themselves to the highest bidders Two decades ago Jacqueline Kennedy ex changed her status from that of American presidential widow to that of bedmate to Aristotle Onassis reportedly for a cool one billion dollars, with a couple of yachts thrown in These are prime examples of the letting the market decide doctrine In case you are without a permanent ideo logy you can then afford to be without permanent friends as well you sell to the highest bidder To describe this ambience as lack of moral principles is fiddlesticks Principles are a product of ideology, once you are bereft of ideals you cannot evidently fall back on principles Rather, you drift from betrayal to betrayal, you betray and are betrayed in turn Mikhail Gorbachev for one can take much credit for the emergence of this world *sans* morality He has succeeded to encapsulate in his utterances the spirit of the times He now advertises himself as a freelance statesman You can hire him whatever the cause, if you pay him right he will do an excellent job on your behalf Did he not break up so splendidly Stalin's abomi nable empire?

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India-China Pact on Human Rights

A G Noorani

India signed a sordid pact with China on the issue of human rights because it is opposed to the setting up of UNHRC office on the spurious ground that it would interfere in the "sovereign working of nations". The implications of the pact are startling

EVEN to those (like this writer) who sup port early settlement of the border ques tion with China and good relations with that country it must come as a shock that India concluded a sordid deal with China at Vienna to present a joint front before the western countries The implications of such a pact are startling

The *Indian Express* of June 18 carried this PTI report from Vienna, "India and China have agreed to unitedly oppose im position of a western concept of human rights on developing countries An under standing to this effect was reached during a meeting between the minister of state in the prime minister's office, Bhuvnesh Chaturvedi and the Chinese deputy foreign minister Liu Huaqui at the World Human Rights Conference here Chatur vedi said the Indian and Chinese delega tions also opposed the creation of the post of a United Nations Human Rights Com missioner Both feel that the new post would be a hindrance to the functioning of the United Nations secretary general, result in the overlapping of functions *and interfere in the sovereign working of nations*' What a performance by India at the UN World Conference on Human Rights!

To begin with it is strange that an 'understanding' of this nature or for that matter of any kind should be concluded by some one in the prime minister's of fice rather than by an official of the ministry of external affairs Secondly,

India and China have two basically different political and social systems due to basically different political ideologies It will not do for any one, whether Bhuvnesh Chaturvedi or even the PM to prattle about the "western concept of human rights" The chapter on fundamental rights in the Indian Constitution is very much based on the western particularly the Anglo Saxon, concept of human rights Our Supreme Court and high courts freely draw on British American Australian and Canadian case law Chinese courts function differently

Thirdly, the solicitude about the smooth functioning of the office of the UN secretary general without the overlapping authority of the UN's High Commissioner for Human Rights will fool nobody The secretary general has not complained Why are we trying to be more royalist than the king?

But the cat does not take long to come out of the bag The truth is that India decided to make common cause with China because it is opposed to the establishment of the office of the UNHRC on the spurious ground that it would interfere in the sovereign working of nations" It would do so no more than does the UN Human Rights Committee set up under the International Covenant on Civil and Political Rights which India has ratified India is bound to submit reports to the committee on its observance of human rights

It is puerile to defend India's dismal record on human rights though it is better than that of any other third world country - by thus belatedly taking shelter under the rhetoric used by dictatorship in the third world Human rights are not an impediment to development The right to property can be construed in the 19th century spirit But we do not need child labour or forced labour or bonded labour for development

Incidentally while berating NGOs like Amnesty and Asia watch for their criticisms of India's record the government of India responds calmly to the US government's annual Country Report on Human Rights' which has a chapter on India The latest report published recently has sharp comments on India It is too late in the day for any country to challenge the established principle that respect for human rights is a matter of international concern

Consider the following portions of the US report Can the government contest the facts it sets out?

> The government (of India) estimates that there are approximately a quarter of a million bonded workers in India of whom 223,108 had been "rehabilitated by March 31, 1992 Other sources including the Bandhua Mukti Morcha and the Gandhi Peace Foundation, however, estimate the number at 10 times the government figure. Private and autonomous social organisations, such as trade unions the council for advancement of peoples action and rural technology, and action for welfare and awakening attempt to identify cases of bondage and pursue them with the appropriate officials However ever with better co ordination and increased resources to central and state government the eradication of bonded labour is proceeding slowly

Minimum Age for Employment of Children

Article 24 of the Indian Constitution prohibits employment of children under 14 years of age in factories mine or in other hazardous employment Article 45 encourages states to provide free and compulsory education for all children up to the age of 14 However these constitutional provisions have had little impact As in the case of bonded labour the central government often blames limited jurisdiction with state governments for its inability to curb the practice Poverty social acceptance and the failure of state governments to make primary school education compulsory make child labour an especially serious problem According to a labour ministry survey one out of four Indian children between the age of 5 and 15 is working Government statistics put the total at 17 5 million in 1985 Other figures including those cited by ILO put it as high as 44 million

On Kashmir the US report say

> Human rights abuses by both militants and security forces continued unabated in Jammu and Kashmir India only Muslim majority state The Muslim population in Kashmir valley has become severely alienated both by the central government because of the repressive tactics used by its forces to combat insurgency as well as by the militants for acts of wanton violence sometimes directed at innocent civilians Hundreds of thousands of Indian army and paramilitary forces remain in the state to maintain law and order and check the militant separatist movement Under the Jammu and Kashmir Disturbed Areas Act and the Armed Forces (Jammu and Kashmir) Special Powers Act, both passed in July 1990 security force personnel have sweeping powers, including authority to shoot to kill suspected law breakers or disturbers of the peace and to destroy structures suspected of harbouring militants or arms

> Paramilitary and army forces used excessive force against mass gatherings as well as in retaliation against attacks on them by armed militants On May 5 security forces killed four bystanders and wounded seven when returning fire in a militant attack on a motorcade accompanying the union communications minister in Srinagar Kashmir observers report that house to house searches torture and gang rapes of innocent civilians (especially in remote villages) increased following the launch of Operation Tiger and Shiva by security forces in September and October These operations reportedly involve intensive cordon searches large scale burning of homes and businesses suspected of aiding militants, and faked encounter killings of militants in police custody On October 1 nine people in and around a village north of Sopore were reportedly killed and three women (including a 60 year old and an 11 year old) were raped following a militant attack on an army convoy one half mile away in which a security force member was killed Homes and cattle reportedly were burned and apples recently harvested were destroyed Kashmiris allege security forces steal food money and personal property Kashmiri human right activists report that medical personnel also have been the targets of violence The Indian government reports that in Kashmir 33 army and paramilitary personnel were imprisoned (27 received sentences of one month or less) 18 were dismissed and 45 were demoted or reprimanded In Punjab 135 policemen were dismissed and 75 were prematurely retired in three cases senior officers were given jail sentences

> Except for granting a brief visit in 1990 the government has resisted offers by the International Committee of the Red Cross to visit Kashmir in order to monitor and report confidentially on prison conditions and treatment of civilians

> Militants maintained a reign of terror in the valley throughout the year targeting security forces personnel public employees supposed police informers members of rival groups and others perceived as opposing their cause Invariably innocent civilians were caught up in the violence On October 7 for instance 13 people were killed and about 50 injured when a bomb allegedly placed by militants destroyed an overcrowded bus in Jammu Militants routinely planted bombs in and around military and paramilitary installations as well as at bridges and communications targets Militant groups kidnapped dozens of government officials family members of prominent politicians and businessmen killing some of them *Kashmiri militants unlike their counterparts in Punjab have not routinely engaged in mass killings* They also carried out extortion and protection rackets

Yet by any account the security forces have perpetrated in Kashmir outrages of the kind unheard of in Punjab setting fire to houses

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Revisiting the National Literacy Mission

Sumanta Banerjee

The experience of the National Literacy Mission serves to underscore that social activists who seek to use the 'democratic space' in state patronised programmes will have to develop an autonomous interventionist potential that can sustain their activities even if, or when, the 'space' is withdrawn from them by the government. Much of the success in developing new strategies of participation in the process of transforming rural society depends on the ability to map the space available in different projects. This mapping is necessarily a critical exercise and is different from acts of submission or co option.

THE recent decision of the Union Ministry of Human Resource Development's Department of Education to set up a committee of experts for evaluating the Total Literacy Campaigns (TLCs) launched under the National Literacy Mission (NLM) since the period 1990-91 meets the long overdue need for a thorough stock taking exercise. Both the euphoric claims about the success of the programme made by some of the districts and the misgivings voiced by a section of the press and educationists questioning those claims require a serious investigation.

One also hopes that the committee confronts some of the larger questions that have arisen from the NLM experiments during the last two years. Can literacy alone– divorced from a simultaneous radical transformation of the rural socio-economic system– succeed in improving the 'economic status of the poor, as claimed by the NLM? While the government is promising to empower the poor with skills to improve their 'general well being' through 'functional literacy', why is the same government empowering the enemies of the poor with unfettered rights to exploit and oppress them? Is this contradictory approach in official policies and practice a case of inadvertence, the left hand not knowing what the right hand is doing? Or, is the government trying to lull our people with the message of literacy as a soft educational substitute for the hard option of a political struggle to solve the country's major social and economic problems?

A brief recapitulation of the NLM objectives and a general review of its outcome till now can help us to locate these questions in their right perspective. Launched in 1988 as one of those much publicised missions of the late Rajiv Gandhi, the NLM aimed at imparting functional literacy to around 80 million illiterate persons in the 15-35 age group by 1995. Later the 9-14 age group was also included, raising the target by another 47 million. 'Functional literacy' implied for them (i) achieving self reliance in literacy and numeracy, (ii) becoming aware of the causes of their deprivation and moving towards amelioration of their condition through organisation, and participation in the process of development, (iii) acquiring skills to improve the economic status and general well being, (iv) imbibing the values of national integration, conservation of the environment, women's equality, observance of small family norm etc.

The duration of the initial literacy programme was to be of 200 hours spread over five to six months. This was preceded by a long campaign of motivating the would be learners and recruiting volunteers to teach them through environment building and mobile cultural performances. Resource centres were set up in states and at district levels consisting of specialists in adult education to fashion model primers for the learners. The initial programme of 200 hours, known as the Total Literacy Campaign (TLC), was to be followed by a Post Literacy Campaign (PLC) as a part of the continuing education process for the neo literates.

The district was chosen as the basic unit of operation. State governments were persuaded to bear one third of the total cost of the TLCs in selected districts of their states, the rest to be borne by the NLM. District literacy committees were set up headed by the collectors, followed by sub committees at the block and village levels. Panchayat representatives and activists of voluntary organisations were made members of these committees. From 1990 onwards literacy centres started functioning in most of the selected districts. The teacher student ratio was fixed at 1:10. The NLM decided that at the end of the 200 hours of teaching programme, institutions of social science research, universities and voluntary organisations would be invited to undertake summative evaluation of the functional literacy acquired by the students.

The Outcome

According to the NLM about 150 TLC and 42 PLC projects had been sanctioned in selected districts and blocks in 18 states and three union territories so far (till May this year).

Among the positive results one notes a general rise in the enrolment of children (of the neo literates) in primary schools, wider acceptance of the immunisation programme and a growing desire for literacy among the scheduled tribe people and women (Muslim women in particular) in successful TLC districts.

But reports from other districts indicate certain disturbing trends. First, although the programme has run for well over a year in several districts (where the literacy campaign has obviously been extended beyond the original six month 200 hours schedule) their performance level still remains below 20 per cent of the target, or they have not reported at all. While half of them are from the Hindi speaking areas– the low literacy states of Uttar Pradesh, Madhya Pradesh, Rajasthan and Bihar (where the average literacy rates vary from 38 per cent to 43 per cent), the rest are from Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu. In at least two districts (Tumkur in Karnataka, and Medak in Andhra Pradesh), fresh grants are being released to salvage the TLCs under 'Operation Restoration'.

Secondly, very few among the districts at the end of their TLC programmes, appear to have gone in for a summative evaluation by any external agency as envisaged by the NLM. Several district authorities had approached the NLM with claims of having achieved total literacy on the basis of some 'internal evaluation' and sought approval and financial assistance for launching the PLC. There are suffi-

of districts where the PLC had been sanctioned, the backlog of illiterates continues to outnumber the neo-literates. In Narsinghpur in Madhya Pradesh for instance, while the district authorities claim an achievement level of over 50 per cent external evaluation has revealed a level that is much lower. Shimoga in Karnataka was declared totally literate by the state's chief minister in May this year, while the latest external evaluation report shows an achievement level of 45.46 per cent only.

Thirdly, even in some districts—like Burdwan—where external evaluation by experts had confirmed that 60 per cent to 80 per cent of the illiterates had reached the NLM norms of literacy a year ago or so, there are disquieting signs of a relapse among a large number of them. This could be due to several reasons—lack of interest of the district literacy committee in pursuing the PLC seriously; inability of the instructors to sustain their voluntary efforts any longer; inadequacy in the level of literacy acquired by the learners; or a long gap between the end of the TLC and the launching of the PLC, making it difficult for the neo-literates to resume practice.

Fourthly, political and economic hurdles have come up as serious obstacles in the path of the literacy campaign in some districts. In Kerala, the Congress government soon after coming to office suspended the literacy classes—on the plea that the organisers of the literacy campaign during the earlier Leftist regime were guilty of corruption! Although widespread criticism of the Congress government's partisan politics forced the authorities to resume the literacy classes after some time, the break in the continuity of the programme meant that many learners had to start all over again from the beginning. Similarly, in Andhra Pradesh, although the government finally conceded to the popular demand for an end to arrack auction, its earlier foolish decision to withdraw textbooks and stop publication of broadsheets for the neo-literates (in retaliation against their anti-arrack agitation) disrupted their learning process.

The economic hurdles are more difficult to cross and have far-reaching effects on the literacy campaign. In Pudukkottai in Tamil Nadu, which has had a successful total literacy campaign in the 9-45 age group, the next phase—the PLC—is now facing a threat because of the severe water crisis there which is forcing the potential learners in the PLC phase to migrate to other places. This implies not only a relapse among the adult learners, but also a setback for their children who were about to join the schools. In the inaccessi-

even before any talks of literacy campaign can be initiated, immediate problems of survival, like starvation, lack of drinking water, dearth of medicines and health care need to be tackled first so that the potential learners can, to start with, find themselves in the necessary physical and mental shape to attend the literacy classes.

Given this ground reality, it will be quite a job for the committee of experts to penetrate the opaque screen of the bureaucracy and get down to 'analyse the estimated number of persons made literate by gender, age groups and social groups'—one of the objectives set before the six-member expert group for status-cum-impact evaluation of TLCs.

Scope of Investigation

Among other things, the committee is expected to measure 'the outcome of literacy campaigns among learners and participants with respect to prescribed level of literacy per NLM norms'; 'the processes and effectiveness of environment building, mass mobilisation through mass literacy campaigns'; 'involvement and partnership between government bodies and voluntary groups in literacy campaigns'; 'duration of implementation of the campaign with special emphasis on the duration of teaching/learning'; 'resources available and mobilised for mass literacy campaigns including the cost effectiveness of the campaign'; and—more importantly from the wider socio-political point of view—'to study and assess the fallout and impact of the literacy campaigns on related socio-economic development programmes, such as primary education, health, nutrition, family welfare, gender sensitivity, women and child development programmes, national integration, etc'.

While an evaluation of the quantitative dimensions of the TLC experiment (e g, 'number of persons made literate', 'prescribed level of literacy per NLM norms', 'duration of teaching/learning', 'cost effectiveness of the campaign', etc) is surely necessary, an assessment of the qualitative impact of the experiment on the learners as well as on those involved with them (including the instructors and the administrators at the various levels of the system) becomes essential in the context of the NLM concept of 'functional literacy' which envisages assertion of rights by the neo-literate poor through organisation, and their active role in crucial issues like national integration and movements for women's equality.

From a purely target-oriented, statistical approach, literacy can be recognised and

titude in the three R's. The ability to write one's name for the purposes of the census may produce a sharp rise in the national literacy rate (52.1 per cent in 1991). But is it enough to effect those changes in the personal beliefs of the individual learner and in group behaviours that are expected to help the shaping of a qualitatively different society? As a 19th century British observer aptly put it: "Reading and writing are no more knowledge or education... than a knife, fork and plate constitute a dinner...[They are the] tools for gaining knowledge; they are not crop, but plough and harrow" (W B Hodgson in *Transactions of the National Association for the Promotion of Social Science*, 1867).

In a large number of TLC districts, the administration appears to be contented with providing the learners with just the 'plough and harrow' without suggesting to them the 'crop' of knowledge that can be cultivated with the newly acquired tools. In fact, there is a general feeling among the administrators that the TLC should concentrate only on imparting alphabetical and numerical literacy and reach whatever targets have been fixed by the government, and leave it at that—instead of extending it to 'functional literacy' (i e, making the learners aware of 'the causes of their deprivation', 'values of national integration, conservation of environment', etc). At a meeting of district collectors in Delhi some time ago, which this writer attended as an observer, several participants—mainly from the then BJP-ruled states of the Hindi belt—expressed their reluctance to introduce topics like anti-communalism and anti-casteism in literacy centres, as it might lead to explosive situations! It was quite obvious that they did not want to draw the ire of the ruling politicians.

In some districts, where a few enthusiastic collectors and volunteers did dare to introduce lessons on economic problems and social issues, it indeed led to 'explosive situations'. Chittoor and Nellore in Andhra Pradesh are classic examples, where lessons describing women's mobilisation against the sale of arrack acted as a catalytic agent in spreading the anti-arrack movement which had earlier remained confined to a few districts of the state. When life really began to imitate the lessons, the ruling Congress party and its leaders (many among whom themselves were arrack-contractors) forgot their late beloved leader Rajiv Gandhi's NLM and its commitment to 'functional literacy', and rushed to withdraw the 'explosive' lessons!

Limits to 'Functional Literacy'

Thus, 'functional literacy', if taken seriously and followed to its logical extent, poses a threat to the ruling powers, irrespective of their political hues—whether they belong to the Congress or the BJP. They can switch it off and on, depending on their interests. District authorities and voluntary organisations involved in the NLM's literacy campaign are therefore perpetually nagged by uncertainties: how far will the Establishment allow 'functional literacy' to be translated into action? And, in what way?

It would be interesting, in this context, to watch the fate of the TLC in Faizabad, which was recently approved by the NLM executive. It will be launched soon with the 'twin objectives of spreading knowledge and secularism', the idea presumably being that literacy will change people's attitude towards the restoration of communal harmony in Faizabad (along with its twin town Ayodhya). This approach raises several problems.

First, the district administration of Faizabad, as it is well known, has acquiesced in the construction of an illegal religious structure on the site of the demolished Babri masjid. This act of official complicity with the Sangh parivar is in total violation of the ideas of 'secularism' as well as the laws of the land. If the TLC in Faizabad seeks to inspire the learners with ideas of communal harmony, should it not as a part of 'functional literacy', help them to identify those who are reinforcing communal tensions by illegal acts (in this case, the district administration in collusion with the Hindu communal outfits)? How can the people take seriously a literacy campaign claiming to spread secularism, being presided over by a district administration which itself is guilty of subverting secular values? If the learners in the Faizabad TLC—initiated into 'secularism'—dare to question the palpably un-secular acts of the district administration, will the latter treat it as a law and order problem (as happened in Andhra Pradesh during the anti-arrack agitation)?

Incidentally, even before taking off, the proposed TLC for Faizabad has run into trouble. The district collector who submitted the TLC proposal to the NLM (and who was reputed to be committed to its implementation) has been transferred because he refused to allow the godman Chandraswamy to hold a 'yagna'—yet another instance of political pressures from the top that interfere with the launching and functioning of TLCs. The fate of the Faizabad TLC—originally scheduled to start from July this year—looks a bit uncertain now, what with the appointment of a new collector and the changed priorities of the district administration which at the moment appears to be more concerned with 'yagnas' than literacy.

Secondly, although Ayodhya had been the nerve centre of the recent communal tensions, the majority of the Hindu communal fanatics who demolished the mosque came from outside Faizabad. Is it not more important to instill the values of communal harmony in these people from among whom the Sangh parivar recruited the 'kar sevaks'? Or, in Bombay, Surat, Bhopal and other places where the local mobs backed by a considerable amount of public support massacred innocent people?

Finally, can a literacy campaign *per se* make people secular-minded? Are our political leaders (most of whom are well-educated and claim university degrees), less communal, less casteist, less obscurantist? Has the gift of literacy made any difference to the thinking and behaviour of the Advanis and Murli Manohar Joshis?

Inherent Tension

This brings us to more fundamental questions. Is it 'functional literacy' that motivates the people to become 'aware of the causes of their deprivation' and to move towards 'the amelioration of their condition through organisation'? Or, is it the other way round?

There is a tension between the idea of making literacy the kingpin in social transformation on the one hand, and that of placing it as one of the many essential components in a holistic programme of socio-economic transformation on the other. The first idea implies an effort to solve certain socio-economic problems indirectly through literacy instead of directly through politics. This tendency places enormous burden on those carrying out the literacy programme and creates inordinate hopes and expectations among them.

As is happening in a large number of TLC districts at the initial stage, the organisers tend to cast education as a leading weapon in everything – from the war on poverty to the fight against communalism! In the environment-building campaign (an essential part of the preparatory work for any TLC), they come up with simplistic messages suggesting that once the poor get literate, they will get their minimum wages, medicines and health care, better jobs, etc. There is also a tendency among them to equate illiteracy with ignorance and regard the illiterate as a sick person who needs to be cured.

While it is undeniable that the acquisition of literacy makes the illiterate people more aware of the mechanisms of the system that deprives them of power, and helps them to conceptualise this awareness, it is to be admitted at the same time that incapacity to read and write has never been an impassable barrier against participation in political struggles and socio-economic movements by the illiterate. In fact, in several areas where the recent literacy programmes have taken roots, it has been found that it was these initial struggles and movements that paved the way for the popular acceptance of literacy classes. Literacy in these areas—often under the aegis of political or voluntary organisations—came in organically in a process, in the course of a movement for survival, when it became the felt need of the adult learners. It is often forgotten that the anti-arrack agitation had started in Andhra Pradesh long before the TLC began. The controversial lesson in the primers in the TLC merely reflected the surrounding reality. The learners, already aware of the struggle, were quick to respond to the lesson. In Pudukkottai in Tamil Nadu, it was the mobilisation of women quarry workers to run their own quarries that created the motivation for learning among these women who felt the need for writing accounts, fighting the contractors on their own terms and strengthening their economic and social position. Similarly, the success of the literacy campaign in places like Kerala, or Burdwan in West Bengal, can be explained to a large extent by the already existing high level of political consciousness and critical awareness that had developed through years of organised peasants' movements. This could have created the social basis for a felt need for literacy.

Thus, the alternative concept—mentioned earlier—of recognising literacy as one of the many essential components in a larger programme of socio-economic transformation (instead of investing it with the almost supernatural capacity to bring about decisive changes), allows literacy to gain easy access to the poor households. It becomes a comrade-in-arms to the other daily concerns and interests of the poor—the need for food, minimum wages, better health care, employment—which drive them 'towards amelioration of their condition through organisation' and struggles against the oppressive powers.

This concept, for various reasons, may not find favour with administrators and policy framers who in their excessive haste

and optimism need the literacy campaign as a convenient instrument for showing quick results, or—at a political level— as a safe substitute for mass militant actions. The latter motive becomes clear in an official report on the TLC in the Naxalite-affected district of Nizamabad in Andhra Pradesh. The report states that one of the 'broader aims of the campaign' is: "how are they [the learners] going to fight against extremist thinking and action". It then goes on to say: "With the Naxalites on one side and the literacy movement on the other, there is a clear perception before people whether they want a violent revolution or a silent revolution for bringing about the much-needed change in the state of affairs. Literacy is perhaps going to be a better weapon for people to fight for their rights and ideals, maybe also an enabling factor for performing their duties as citizens" (*Literacy Mission*, Vol XV, No 3, March 1992, New Delhi).

The emphasis on 'performing their duties as citizens' is significant in the context of Andhra Pradesh. While literacy is being sold to the people as a 'better weapon to fight for their rights and ideals', when they really fight for their rights (as they did during the anti arrack agitation), the state comes down heavily upon them to remind them of their 'duties as citizens'. Is literacy then expected to provide a deferential labour force?

Similar questions can be raised about the relations between 'functional literacy' and the anti-communal campaign in the present socio-political context. If a communally surcharged environment is allowed to be built up all over the country by the ruling powers—both at the centre and the states (as happened during the Ayodhya crisis)—will mere lessons on national integration help the neo-literates to resist and conquer such an environment? While the primers in the literacy centres may urge upon the learners to get rid of religious prejudices and obscurantist beliefs (to which communal feelings are closely linked), the ministers at the top reinforce these same prejudices and beliefs by paying visits to Shankaracharyas and godmen and seeking their blessings, by kowtowing to the charlatan 'sants' and 'mohants' of the VHP and the gangsters of the Shiv Sena. What sort of an example has been set for the learners by Arjun Singh himself (whose ministry of Human Resource Development has taken over the responsibility of bringing enlightenment to the poor illiterate people through the NLM) who in February this year went to Bhopal to attend an 'Ashwamedh yagna' where firewood and ghee costing several lakhs were wasted on the hocus-pocus? Do such actions of their ministers help the learners to imbibe progressive values like 'conservation of the environment' (one of the aims of 'functional literacy'?) While the tribal learners in the TLC districts are reprimanded for collecting firewood (one of the major sources of their livelihood) on the ground that it destroys forests, the Hindu religious quacks are allowed to do the same for the luxury of a 'yagna' to be watched by a minister!

Whether in the area of 'general well being', or of 'national integration', the success of functional literacy depends on the political will of the Indian leaders to effect radical changes in economic relations, pesonal beliefs, individual and group behaviours and the functioning of the major institutions (the latter having lost all credibility among our people). Since that will is lacking, the NLM concept of functional literacy will keep floundering in practice. It faces resistance from the very power structure on which the government (which constituted the NLM) rests.

From 'Functional Literacy' to 'Fictional Literacy'?

If we leave out the qualitative aspects of functional literacy, and try to assess the quantitative achievements of the TLCs in terms of imparting just the skills of literacy and numeracy, the picture is no less gloomy.

As we mentioned earlier, in many districts the target reached so far is less than 20 per cent, the number of illiterate people continue to constitute a substantial backlog in spite of more than a year of TLC, and occurrences of relapse had been reported from some districts which were declared totally literate.

To go back to the beginnings, the NLM sanctioned the TLCs in these districts a couple of years ago (1990-91), following submission of project proposals from representatives of the district administration. They assured that there were enough volunteer teachers available to take care of the learners, that the learners were adequately motivated and that the functionaries had been well trained to conduct the literacy centres in their respective districts.

But after the sanction of the projects, the campaigns did not progress according to the calendar of events drawn for the projects when presented before the NLM executive. Either the literacy centres could not take off on the scheduled dates, or even if they did, they could not stick to the schedule. Natural disasters like droughts or floods in some districts, and elections, communal riots, harvesting and sowing in some other districts, interrupted the classes. As the classes had to be extended from the original six months schedule, the enthusiasm of the volunteers as well as the learners waned, and many dropped out. In some areas, the volunteers were not properly trained and failed to motivate the learners, which affected adversely the outcome. In fact, by the end of 1991, the NLM executive was already apprised of the situation and it felt that the lag was mainly because of the fact that adequate preparatory work had not been done before the projects were sanctioned.

Meanwhile some districts and states, like Burdwan and Pondicherry, were declared totally literate, and began to attract international acclaim and awards. The West Bengal government received the UNESCO Nema award in 1991, and the King Sejon award of UNESCO was bagged by Pondicherry the next year. This appeared to give a fillip to the other districts, and there began a regular scramble among the district collectors for recognition of their districts as totally literate. In their haste and over-optimism, they quite often ignored the facts and gave out figures (of totally literate people) which, on external evaluation, were found to be far in excess of the actual achievement.

Now that indications of the actual state of attainment of literacy and numeracy standards by the learners in the TLC districts are available to some extent, it is necessary to adopt a cautious attitude towards claims about both pre-TLC preparatory work (e g, environment building, motivation of the people, identification of the volunteer teachers, etc), and later achievements (in terms of fulfilling the NLM requirements). This is not to undermine the enthusiasm that might be generated among the learners at the initial stage, or the sincerity of some dedicated collectors, subdivisional officers and block development officers. But we should also remember that in a highly competitive atmosphere, the ambition for promotion and desire to impress political bosses can also play an important part in gearing up a target-oriented campaign like the TLC. The determination to show results, or pressures from above, can often drive the officials or functionaries to inflate figures. This can be attempted in various ways. Some external evaluation teams have complained about samples of writings that were palmed off as the handiwork of the learners, while actually they were written by the volunteer teachers!

Such trends in bureaucracy-dictated literacy campaigns in some districts have eroded the credibility of official claims, and one suspects that the original notion of a quality-conscious 'functional literacy' is being traded off for a quantitative ex-

pansion of 'fictional literacy'

Curiously enough, both the positive and negative experiences of the NLM of the last few years (some of which have been touched upon in this paper) are not peculiar to the NLM, but have been common to previous adult education programmes too. Evaluation reports of the SAEP (State Adult Education Programme) and similar programmes by several social science institutes between 1978-85 (56 reports in all) have emphasised certain common problems—poor quality of training of functionaries, misreporting and lack of credibility of the monitoring system, irregular participation by learners, considerable drop out, relapse to illiteracy, and low level of literacy achievement.

The experts' committee needs to analyse why the same negative trends are repeating themselves in the TLCs in spite of the NLM's professed commitment to a campaign approach based on people's participation (as distinct from the centre based approach of the earlier adult education programmes). Are the problems then more deep-rooted? Why do they keep cropping up irrespective of the changes made by the government in the strategy and tactics of its adult education programmes?

An 'Autonomous Space'?

The NLM has succeeded in drawing into its fold a wide variety of social activists, members of voluntary organisations, political workers, women involved in struggles for their rights, and people engaged in protecting the environment, among others. Many among them feel that if the democratic potential of widespread literacy can be extracted from a government-sponsored programme, socially conscious and politically advanced forces may take root in our society. 'Organic intellectuals', in the Gramscian sense, are expected to emerge from among the neo-literates. The expectation is based on the assumption that the TLC offers a democratic space to these activists who have decided to join the programme as organisers or volunteers with the hope of using the limited space to try to open the space further.

The experience of the last two or three years in several TLC districts has however knocked off this assumption. Despite the official promise of 'decentralisation and functional autonomy' in the management of NLM programmes, both the ruling political parties and the top bureaucrats in the states (where the TLCs are in operation) have seen to it that the learning-teaching process in the literacy centres remains firmly held under their control. Whenever it showed signs of acquiring an autonomy of its own (as in the literacy centres in Nellore and Chittoor), the state administration did not hesitate even to ban or censor the teaching materials. The Andhra Pradesh government justified its action on the ground that it could not allow the display of 'anti-government' messages in a government funded programme (since it was bearing one third of the expenditure on TLC). In Pondicherry (which won an international award for achieving total literacy), during the post-literacy phase, the chief minister took umbrage at a song in a primer that asked 'Freedom for the country, but why poverty for us?' Key officials who supported the programme were transferred and the voluntary agency which had implemented the TLC was delinked from the PLC. Few post-literacy centres are functioning in Pondicherry today. In some other districts, politicians and officials are quite often reported to have pressurised the organisers to delete lessons that exposed corruption in government offices or cheating by fair price shop dealers on the plea that such lessons would give a bad name to the administration!

Since the state government can always assert their right to run the TLCs according to their own requirements, the scope of autonomy for the organisers and volunteers is extremely limited. Central intervention by the NLM in favour of such autonomy is also unlikely.

The non-official participants and functionaries in the TLC are therefore facing a dilemma. Forced to accept the constraints imposed on them by a government sponsored programme, some are reconciling themselves to a conceptual narrowing or reduction of 'functional literacy' to a primarily production related programme (of imparting lessons on how to increase agricultural productivity, fill up forms to get loans from banks, make use of developmental projects, etc). This kind of functionality is far removed from their original expectation of using the space of NLM to prepare the learners for challenging the *status quo*, and changing the balance of forces in their favour in rural society. Instead, they find themselves co-opted into a government run mass programme that for all practical purposes may be reinforcing the subordination of the rural poor in the garb of teaching them 'functional literacy'.

Conclusion

It is like running an obstacle race that leaves most of the expectations of these enthusiastic organisers and learners sprawling helplessly on a scrum of competing interests. Those TLC's which limp into literacy may collapse exhausted after struggling through administrative tangles and political obstacles that are rooted in the deadlock of entrenched interests. They may be too enfeebled to face the challenges when they reach the threshold of the PLCs. As for the other TLC districts which even after more than a year are still trailing behind, they cannot be abandoned by the NLM. Apart from the fact that the money spent on the TLCs there cannot be written off, they have produced a few neo literates who cannot be left hanging in mid air. If therefore the NLM wants to salvage these TLCs it will have to inject fresh funds to revive the environment and start anew the literacy centres on the one hand, and provide post literacy facilities for the neo literates who might have emerged from the past experiments on the other. One wonders how many bouts of 'Operation Restoration' will be necessary to salvage the moribund TLCs.

But it is not only the old TLCs that are posing a problem. Almost every month the NLM is flooded with new proposals for launching TLCs from different districts. There is a mad rush among the district collectors who seek grants from the NLM and assure it of mass mobilisation and of fulfilling the targets set by the NLM within the required period, the same promises which their counterparts in other districts made two years ago. One fears that after a couple of years again, the NLM may be saddled on the one hand with yet another set of dying TLCs which will have to be written off or retrieved through 'Operation Restoration', and embarrassed on the other hand by a number of TLC districts with their dubious claims of total literacy. It seems that the NLM is caught up in the toils of an ambitious target oriented programme that was launched in 1988 in an excess of haste and over optimism by the government which continues to display a lack of understanding of the complex human situation, and an absence of will to resist the economic and political pressures at the ground level.

In such a situation, those social activists who seek to use 'democratic space' in state patronised programmes will have to develop an autonomous interventionist potential that can sustain their activities even if, or when, the 'space' is withdrawn by the government from them. Much of the success of developing new strategies of participation in the process of transforming rural society depends on the ability to map the space available in different projects. This mapping is necessarily a critical exercise, and is different from acts of submission or co-option.

Problems of Left Assertion in Bihar

Patna Poll Lessons

Tilak D Gupta

The results of the by elections from Bihar indicate a slight decline in the Janata Dal's influence and a corresponding gain for the BJP, which has left the Congress behind in all the constituencies. In the circumstances, the left in Bihar faces an uphill task in channelling the slowly growing discontent of the masses with the Laloo Prasad regime along a progressive and democratic direction.

FOR those acquainted with the nuances of Bihar politics the clean sweep made by the Janata Dal and its allies in the recent by elections in the state did not come as a surprise. The ruling Janata Dal won the Patna parliamentary and the Garhwa assembly seats, defeating its nearest BJP rivals and helped the CPI to retain the Ghosi assembly seat.

As a matter of fact the electoral battles in Bihar over the last few years have more often turned out to be between the Janata Dal and the Election Commission than among the different political outfits. Countermanding of elections, repoll in a large number of booths, delayed counting of votes and late publication of results have, indeed, become almost an integral part of the state's electoral process. This time T N Seshan had dealt a particularly nasty blow by depriving the Dal of its popular election symbol, the wheel.

That the Dal could still manage to emerge victorious in the polls testifies to its continuing hold over a large chunk of the state's electorate. The Congress and BJP for obvious reasons have sought to ascribe the Dal's victories to widespread rigging by the ruling party with administrative connivance. But what is surprising is that even a section of the left forces in the state tends to overplay the aspect of poll manipulation because of their reluctance to recognise the ground realities of politics in the state. Whether one likes it or not, it has to be conceded that Laloo Prasad has, in this part of the world, forged a formidable backward caste-Muslim alliance under the Dal flag that works as a double edged sword. Objectively, this alliance has a progressive social content so far as it obstructs the return of the upper class-caste dominated Congress and prevents the BJP from spreading its tentacles in Bihar. But at the same time it has made the independent assertion of left forces in the state all the more difficult.

The humiliating defeat of the CPI candidate in the Patna parliamentary by-election is a case in point. The CPI candidate supported by all the parliamentary left formations except the CPI(M) and enjoying the backing of the Janata Dal (Ajit) and Samajwadi Party of Mulayam Singh came a poor fourth, behind the BJP and the Congress. Evidently, this unimpressive performance of the CPI calls for some introspection on the part of the left forces in a state where they are on a somewhat stronger wicket than in any other part of the Hindi heartland.

The CPI, however, has not come out with a review of its debacle in Patna even a month after the declaration of the poll results. In fact, the only response of the party's national leadership till date has been to reprint a news item from *The Hindu* in its central party organ, *New Age* that curiously gives prominence to the allegations of the state Congress and BJP leaders about widespread rigging of the elections by the ruling party. That is, to say the least, a strange way of expressing resentment over the Janata Dal's alleged electoral malpractices by a party that happens to be an ally of the Dal.

It is not that the allegations of polls rigging by Laloo Prasad's party are untrue, even if they come from the mouth of past masters at the game like the state Congress legislature party leader, Jagannath Mishra. One can also argue that electoral malpractices have become even more flagrant these days under the Laloo Prasad regime. But that can hardly explain the major reverse suffered by the CPI in a constituency that had sent the party's candidate thrice to parliament on earlier occasions.

Poll rigging is almost as old as elections in Bihar. The capacity of a mainstream party to rig the polls here by and large approximates its hold over the dominant class-caste combines in the countryside during a particular election. And if the Janata Dal presently stands ahead of others on that count the reasons for it have to be sought in the changing power equations in the Bihar villages favouring for the moment Laloo Prasad. As for the rural poor, many among them except in traditional communist or socialist pockets are yet to see the inside of an election booth.

That, of course, leaves us with elections that are less than reliable indexes for gauging the people's political mood. But for political organisations entering the parliamentary arena, election results, despite all their limitations, become the only available indicator of their strength for the public at large. Seen in this context, the failure of the CPI to make its presence felt at Patna, historically an electoral stronghold of the party, deserves serious analysis.

There was a sense of jubilation in a section of the left in Patna when the CPI decided to contest the by-election, despite the failure of seat adjustment with the Janata Dal. On the face of it, the past record of the party in the constituency did justify the CPI staking its claim. More important, it was felt that the party had, at long last, chosen to opt for an independent left assertion by letting go of the apron strings of the ruling party. But few realised at the time that the political situation at the grassroots had dramatically changed over the years, partly due to the loss of the CPI's living links with the masses.

The late Ramavatar Shastri, the popular CPI leader who represented Patna in parliament a number of times also happened to be a Yadav and enjoyed the backing of the majority of his castemen in the then upper caste dominated political environment. But with the emergence of Laloo Prasad as the living expression of Yadav political power, the CPI candidate this time, though also a Yadav, was in no position to get the backing of this electorally dominant caste.

More to our point, the CPI, though still the largest left party in Bihar, has long since turned into a flabby parliamentary formation trailing behind this or that party of the bourgeoisie for immediate electoral gains. As the Patna result confirms, the absence of sustained political campaigning and mass movements to defend the toiling people's interests has reduced this once powerful organisation to an 'also ran' status in its old stronghold. It also confirms the widely shared belief that the party's present impressive legislative strength in Bihar (24 MLAs and 8 MPs) is to a great extent the result of its electoral alliance with the Dal rather than a reflection of its own mass base that has been considerably eroded over the past decade or more. Consequently, the attempted independent electoral assertion by the CPI without corresponding mass activities was destined to suffer a setback.

The CPI (ML) IPF combine, which supported the CPI in the by-election, has in a recent review of the Patna poll strongly defended the CPI decision to put up its own nominee for projecting a united left alternative to face the communal fascist challenge. According to the review published in the central Hindi organ of the CPI(ML), that was necessary not only to help the left to assume a leading role in the anti-communal campaign but also for linking it with the broader task of building a democratic India. The review also implicitly points out, with some justification, that the policy of tailism so far pursued by the CPI had been mainly responsible for its defeat in the election.

While there will be little disagreement in principle about the need to establish left hegemony over the anti-communal struggle, there remain sharp differences about the tactics to be adopted for realising that ideal. Besides, the fact that the CPI candidate backed by IPF, an important political force in the region, fared so badly also reveals

an erosion of popular support for the CPI(M-L)-IPF combine. And it is surely time for the CPI(M-L)-IPF to examine whether the combine's growing preoccupation with elections and national-level initiatives have adversely affected its mass mobilisation at the ground level. The explanation offered in the review that the supporters and the cadres of the combine, because of their political immaturity, did not enthusiastically rally behind the CPI candidate, even if true, may only amount to telling half the story. Looking at the voting trends in the areas under IPF influence, it seems that a section of the organisation's supporters cast their votes in favour of other candidates, often on the basis of caste considerations.

The CPI(M), which supported the Janata Dal candidate in Patna now claims that its stand has been vindicated by the election results. According to the arguments advanced by *People's Democracy*, the party's central mouthpiece, the CPI(M) decided to back the Dal at Patna as its candidate was the "best choice to defeat the BJP", and the key question in the Patna polls was to "ensure that the BJP does not win, especially in view of the big united campaign by the left and secular forces in Bihar against communalism". Though the party has now sought to give a political colour to its decision by referring to the united anti-communal campaign, the truth is that it was prompted to support the Dal even at the risk of jeopardising left unity, only on the basis of electoral calculations.

While the CPI and the IPF may be accused of overestimating their own influence at Patna as well as of failing to correctly read the political situation, the CPI(M) stand smacks of a narrow parliamentary attitude that overlooks the larger long-term goals of the left. Talking about the party's weaknesses in dealing with bourgeois-landlord parties like Janata Dal, the political review report of the CPI(M)'s 14th Congress, held last year, says that "we also become victims to parliamentarism under one pretext or the other. In our anxiety to get some seats in the regions where we are weak, we completely surrender our masses to these parties even at a time when elections enable us to propagate our views and policy issues can be posed very clearly". One only hopes that the party will re-examine its tactics in Bihar in the light of its own Congress document.

Deciphering the overall signals emanating from the Bihar by-elections, it seems that there has been a slight decline in the Janata Dal's influence and corresponding gain for the BJP, which has left the Congress behind in all the constituencies that were at stake. In these circumstances, the left in Bihar faces an uphill task in channelling the slowly growing discontent of the masses against the Laloo Prasad regime along a progressive and democratic direction. Given the current political situation in the state, that calls for a complex tactical relation of unity and struggle with the ruling Janata Dal with growing emphasis on the latter. But such political struggle has to be firmly rooted in sustained mass action at the grassroots for defending the people's interests to tilt the political balance gradually in favour of the left.

Dunkel Draft is Bad for Agriculture

Suman Sahai

The commerce ministry's claim that the rights of our farmers and breeders will be protected is deliberately misleading. In fact, under the Dunkel conditions, even if the farmer can save seed, they still lose the right to modify the seed to suit local requirements.

NEWSPAPERS lately have carried prominently displayed interview with the commerce minister that India would not accept patenting of seeds. What the minister neglected to point out is that the *sui generis* system of protection that the government has accepted is little better and will severely restrict the rights of farmers and breeders in this country with grave consequences for self-reliant growth in agriculture.

A highly controversial issue in the Dunkel Text on which the government has come in for massive attack is the demand in the section on Trade Related Intellectual Property (TRIPs). According to this, India will have to accept patents or an effective *sui generis* system to protect plant varieties.

The *sui generis* system commonly refers to the system of Plant Breeders Rights (PBRs) which operate in Europe and other western countries where seed production is in the commercial sector. They do not operate in India where seed production and distribution is in the public domain. This form of protection confers on the holder of the PBR the exclusive right to produce seed of the protected variety for the seed trade and control of its marketing. Codified in the Union for the Protection of New Plant Varieties (UPOV), PBRs offer monopoly on sale of the variety but not on the variety itself or its genes.

Thus any plant breeder could use any protected variety for further breeding work. This was referred to as the Breeders' Exemption. The other exemption granted under PBRs is the Farmers' Exemption. According to this, once the farmer had bought the protected seed, he had the right to use it to produce seed for himself for as many generations as he liked.

In 1991, however, under tremendous pressure from the US, UPOV was compelled to amend the provisions of the PBR, making it more or less the same as patents. The Breeders' Exemption has been done away with completely. The Farmers' Exemption has been made optional and can only be granted if the PBR-holder whose legitimate interests may not be jeopardised, allows it. This, it can be understood, will almost never happen. Every PBR-holder will want to maximise his sales and will certainly not allow farmers to produce seed for themselves, which they would otherwise have to buy from him. Thus the amended form of PBRs offer the same kind of ironclad protection that patents do.

The commerce ministry claims that the rights of our farmers and breeders will be protected fully if we accept the Dunkel Draft. These statements are patently false and deliberately misleading. The farmer whose traditional rights include the right to save, modify and sell seed, will be severely handicapped by the conditions of the Dunkel Text.

The government has failed to get any guarantees to protect the farmers' rights contrary to what it claims. Even if farmers could save seed, they still lose the right to modify the seed to suit local requirements. This is a commonly prevalent custom and one responsible for the successful adaptation of new technologies at the village level.

Even worse, the traditional practice of selling seeds to other farmers, another custom which has been responsible for the quick dissemination of new, improved seed to remote, interior areas, will be abolished. The rapid distribution and acceptance of high-yielding or improved disease resistant varieties has been possible because of a strong and viable inter farmer network that allows technology to trickle down.

One of the major reasons why India could so quickly become self sufficient in food was this network by which improved seeds could spread outwards from the government seed store to reach further and further removed villages. For small farmers in remote areas who do not often manage to reach the district or even tahsil headquarters where seed stores are located, this network is their only access to new technology.

The government's contention is that farmer's rights will not be affected because the "limited exchange of seeds according to prevailing traditional customs" can be retained under *sui generis* protection. This statement like others is deliberately misleading. The fact is that Indian farmers do not engage in "limited exchange of seeds". Of the 600,000-ton seed requirement of Indian agriculture, not more than 38 per cent is met by formal agencies like the National and State Seed Corporations. The rest, 68 per cent of our needs are provided by inter-farmer sales. This huge volume of trading in seed in the informal sector between farmers is the lifeline of Indian agriculture.

This facility will be abolished if the Dunkel Draft is accepted. This will have a highly negative impact on agricultural growth and the rights of farmers to control their means of production.

Breeders' Exemption

Yet another red herring drawn by the commerce ministry relates to the Breeders' Exemption, which the ministry claims will be allowed should India accept the *sui generis* form of protection. What is in fact permitted under *sui generis* protection is the researcher's exemption as distinct from the Breeders' Exemption. What will be taken away is not the right to research but the right to use the fruits of research.

We can, so to speak, continue to study problems relating to protected varieties in a laboratory, but we cannot apply this research or make commercial use of it. This difference needs to be understood to realise that we will lose the right to derive benefit from protected genetic material, which in most cases will in any case be ours. Not having the Breeders' Exemption will mean that our scientists and breeders will not have free access to protected plant varieties to breed new improved varieties suited to our particular agricultural conditions, since this would amount to commercial application of research.

As if to underscore their determination to enforce patents on genetic material, senior American officials have recently threatened to withdraw funding from Indo-American research projects, particularly on biological materials, that could lead to commercially marketable products and processes, unless India accepts intellectual property protection in this area.

Research aimed at basic science could continue but anything that will have a practical application will be stopped until the Americans get the right to patent processes and products in the field of life sciences, medicine, environment and ecology as well as physical and material sciences. The commerce minister's assurances of all safeguards being secured, coming a day after the American statement erodes the government's battered credibility.

In order to counter criticism that it had not succeeded in protecting the rights of our farmers and scientists, government representatives sometimes rashly assert that we need not accept the existing *sui generis* system, that is PBRs amended by UPOV in 1991. The commerce ministry claims that it has acquired the right to frame its own *sui generis* system to suit India's needs. In that case there should be no problem at all.

Armed with this extraordinary flexibility the government has now no excuse not to incorporate at least those four or five conditions which are vital to the country's interests, into the *sui generis* system it devises. These would include unrestricted rights for our farmers and breeders to use genetic material. It would also include placing Farmers' Rights on par with Breeders' Rights, a condition acknowledged by the Food and Agriculture Organisation (FAO) which has adopted a bill on Farmers' Rights. Farmers' Rights, not to be confused with the Farmers' Exemption allowed under PBRs are the acknowledged rights of the farmers of the third world who have carried the burden of creating, refining and maintaining the major portion of the genetic resources of the world.

Few people realise that wheat or cotton or other food and cash crops were not lying around in forests. These crops were created out of wild plants by the constant labour and ingenuity of the farmers' living in tropical areas and gifted to the world community. Nor is this activity a thing of the hoary past; the farming community and the indigenous people of the third world continue to be the custodians of the world's genetic diversity. FAO accepts that if breeders of plant varieties can claim payment for their work, so can farmers whose contribution to the breeding of plant varieties, cannot in any way be considered less significant. Apart from including Farmers' Rights into our *sui generis* system, government will definitely have to include the condition that genetic resources found in India will have to be considered India's property and will have to be paid for like we have to pay for oil and copper that we obtain from other countries.

At present genetic resources which are concentrated in the third world are treated as the common heritage of humankind because of an absolutely dishonest international convention. As a result of this, India and other countries of the third world do not get paid for the use of their genes from which the economies of the north have benefitted to the tune of billions. Finally, there will have to be a guarantee that genes stored in international gene banks cannot be protected by any system of intellectual property rights. This is because most of these genes have been collected from the fields of farmers in the third world. Consider as an example the 30,000-odd rice varieties that are banked in International Rice Research Institute (IRRI), Manila, over which we would lose control if companies could patent genes from IRRI's banks.

Besides the issue of protecting seeds, the government has also listed several other reasons why we have nothing to fear from the Dunkel Text in agriculture, making the highly controversial proposals sound like the panacea for all of India's ills. Take the case of its doublespeak on agriculture subsidy. The extent of agriculture subsidy that a country can give is calculated by a highly complex and ambiguous system called the aggregate measure of support (AMS). There are so many variables in this method that it is open to several interpretations. Officials of the commerce ministry themselves admit that if the assumptions for calculating the existing AMS are changed, our subsidy level could exceed the allowed 10 per cent. The ministry also says that the way the AMS is calculated leaves room for doubt that our problems with respect to certain products would be taken care of.

Then there is the matter of Minimum Compulsory Access in agriculture according to which we will have to import between 2 to 5 per cent of our domestic consumption whether we need it or not. The ministry's stand that this does not apply to us since we have a balance of payment problem is not substantiated by anything in the Dunkel Text. The balance of payment (BOP) provisions in the Dunkel Draft are such that the IMF would have to certify that a BOP problem exists. According to the IMF, a country facing BOP problems needs to open its economy. In our case, as soon as we liberalised our economy, we faced a BOP crisis, forcing us to go to the IMF which suggested more liberalisation. This precisely is the trap.

The BOP provisions in the Dunkel Text are contained in Articles XII and XVIII where the main emphasis is on elimination of all quantitative import restrictions, including those on BOP grounds. The provision is that all such restrictions will be identified and a general commitment undertaken to eliminate these in a time-bound framework. There are no sweeping provisions for elimination of quantitative restrictions in either of these articles.

The government's position is that since we are maintaining restrictions on BOP grounds, we will not be required to tariffy these restrictions and that so long as we do not assume tariffication obligations, we will not be required to provide the Minimum Compulsory Access. None of this finds mention in the Dunkel Text. Moreover, there is no logical connection between minimum access and obligation to tariffy. The logical conclusion would be that a country that maintains no restrictions on agricultural imports and hence is not required to tariffy will also have to undertake minimum access obligations. The government's reasoning and assurances in this regard would regrettably appear to be rooted in wishful thinking rather than facts.

In recent weeks government seems to have singled out the Dunkel Draft for attention. After close to two years of resolute silence on the issue, Doordarshan could not get in enough discussions on the controversial proposals. In the traditional manner of using state controlled media for propaganda purposes, all these debates conveyed to the casual viewer that the Dunkel Draft was actually quite good for India and accepting it would be in our national interest. The reasons for the government's sudden chattiness after a policy of confused secrecy is not far to seek. They lie in the sustained pressure brought on it from various groups and now political parties. Members of political parties including the Congress have begun to speak out against the Draft, particularly the seed protection clauses. Is it a coincidence that explanations and assurances have begun to flow thick and fast from the government after the redoubtable Mulayam Singh Yadav has launched a vigorous attack against the Dunkel text in the politically sensitive state of UP?

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

BALANCE SHEET AS ON 31ST MARCH 1993

(Rs. 000's)

	Schedule	As on 31-03-93	As on 31-03-92
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserve and Surplus	2	50,763	38,397
Deposit	3	1,945,949	1,429,618
Borrowings	4	36,806	82,600
Other Liabilities and Provisions	5	180,274	134,877
TOTAL		2,215,792	1,687,492
ASSETS			
Cash and balances with Reserve Bank of India	6	636,558	349,778
Balances with Banks and Money at Call and Short Notice	7	13,901	99,723
Investments	8	832,032	480,289
Advances	9	663,366	694,810
Fixed Assets	10	6,773	7,492
Other Assets	11	63,162	55,400
TOTAL		2,215,792	1,687,492
Contingent Liabilities	12	179,215	103,109
Bills for Collection		88,515	119,148

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1993

(Rs 000's)

	Schedule	Year Ended 31.03.93	Year Ended 31.03.92
I. INCOME			
Interest earned	13	249,925	229,575
Other Income	14	(8,549)	(1,233)
TOTAL		241,376	228,342
II. EXPENDITURE			
Interest expended	15	135,779	132,226
Operating expenses	16	31,399	26,088
Provisions and contingencies		40,291	41,994
TOTAL		207,469	200,308
III. PROFIT			
Net profit for the year		33,907	28,034
Profit brought forward		28,900	12,117
TOTAL		62,807	40,151
IV. APPROPRIATIONS			
Transfer to statutory reserve		6,781	5,607
Remitted to Head Office		21,541	5,644
Balance carried over to Balance Sheet		34,485	28,900
TOTAL		62,807	40,151

As per our report of even date attached

For N. M. RAIJI & CO
Chartered Accountants

Sd/-
Nirmal Singh
Partner

For BANK OF BAHRAIN AND KUWAIT B.S.C.
Bombay Branch

Sd/-
M.G. Ramakrishna
General Manager &
Chief Executive Officer—India

Sd/-
Firoze Hansotia
Asstt. General Manager

Date: June 25, 1993

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1993

(Rs 000's)

	As on 31-03-93	As on 31-03 92
Schedule 1—Capital		
Capital		
The amount brought in by Bank by way of start-up capital as prescribed by RBI (The amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949 (including capital) is Rs 12,400,000)	2,000	2,000
TOTAL	2,000	2,000
Schedule 2—Reserves and Surplus		
1 Statutory Reserve		
Opening Balance	9,497	3,890
Additions during the year	6,781	5,607
Deductions during the year	–	–
	16,278	9,497
2. Balance in Profit and Loss account	34,485	28,900
TOTAL	50,763	38,397
Schedule 3—Deposits		
1. Demand Deposits		
i) From Banks	5,801	23,989
ii) From Others	45,340	55,818
	51,141	79,807
2 Savings Bank Deposits	22,163	13,409
3 Term Deposits		
i) From Banks	-	
ii) From Others	1,872,645	1,336,402
TOTAL	1,945,949	1,429,618
Schedule 4—Borrowings		
Borrowings in India from		
i) Reserve Bank of India	19,505	-
ii) Other banks	12,101	75,000
iii) Other institutions and agencies	5,200	7,600
TOTAL	36,806	82,600
Secured Borrowings in above – Rs Nil (Previous year Rs Nil)		

(Rs.000's)

	As on 31-03-93	As on 31-03-92
Schedule 5—Other Liabilities and Provisions		
1 Bills Payable	8,185	14,955
2 Inter-office adjustments (net)	50,069	12,721
3 Interest accrued	51,620	42,453
4 Others (including provisions)	70,400	64,748
TOTAL	180,274	134,877
Schedule 6—Cash and Balances with Reserve Bank of India		
1 Cash in hand (including foreign currency notes)	267	676
2 Balances with Reserve Bank of India		
i) In Current Account	636,291	349,102
ii) In Other Accounts		-
TOTAL	636,558	349,778
Schedule 7—Balances with Banks and Money at Call and Short Notice		
1 In India		
i) Balances with banks		
a) In Current Accounts	65	9
b) In Other Deposit Accounts		
ii) Money at Call and Short Notice		
a) With Banks	0	70,000
b) With Other Institutions		–
TOTAL	65	70,009
2 Outside India		
i) In Current Accounts	7,589	29,714
ii) In Other Deposit Accounts		
iii) Money at Call and Short Notice	6,247	
TOTAL	13,836	29,714
GRAND TOTAL	13,901	99,723

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1993

(Rs.000's)

	As on 31-03-93	As on 31-03-92
Schedule 8—Investments		
1 Investments in India in		
i) Government securities	590,950	456,516
ii) Other approved securities	13,900	23,773
iii) Others	227,182	–
TOTAL	832,032	480,289
Schedule 9—Advances		
A i) Bills purchased and discounted	332,421	539,841
ii) Cash credit, overdraft & loans repayable on Demand	179,287	127,398
iii) Term Loans	151,658	27,571
TOTAL	663,366	694,810
B i) Secured by tangible assets	323,763	187,388
ii) Covered by bank/ government guarantees	180,253	396,755
iii) Unsecured	159,350	110,667
TOTAL	663,366	694,810
C Advances in India		
i) Priority sectors	32,393	30,352
ii) Public sector	-	–
iii) Banks	132,500	132,406
iv) Others	498,473	532,052
TOTAL	663,366	694,810

(Rs.000's)

	As on 31-03-93	As on 31-03-92
Schedule 10—Fixed Assets		
1 Premises	–	–
2 Other fixed assets (including furniture and fixture)		
At cost as on 31st March of the preceding year	11,313	7,310
Additions during the year	912	6,855
Deductions during the year	(218)	(2,852)
Depreciation to date	(5,234)	(3,821)
TOTAL	6,773	7,492
Schedule 11—Other Assets		
1 Interest accrued	30,271	22,153
2 Tax paid in advance/ Tax deducted at source (net)	14,257	9,403
3 Stationery & Stamps	2	2
4 Others	18,632	23,842
TOTAL	63,162	55,400
Schedule 12—Contingent Liabilities		
1 Liability on account of outstanding forward exchange contracts	75,891	45,368
2 Guarantees given on behalf of constituents in India	43,167	12,003
3 Acceptances, endorsements and other obligations	59,157	39,338
4 Other items for which the bank is contingently liable	1,000	6,400
TOTAL	179,215	103,109

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS ON 31ST MARCH 1993

(Rs 000's)

	Year Ended 31-03 93	Year Ended 31-03-92
Schedule 13—Interest Earned		
1 Interest/discount on advances/bills	94,970	127,028
2 Income on investments	106,629	64,919
3 Interest on balances with Reserve Bank of India and other inter-bank funds	46,717	37,287
4 Others	1,609	341
TOTAL	249,925	229,575
Schedule 14—Other Income		
1 Commission, exchange and brokerage	5,370	4,533
2 Loss on sale of investments (net)	(22,544)	(14,329)
3 Profit on exchange transactions (net)	6,146	6,626
4 Miscellaneous income	2,479	1,937
TOTAL	(8,549)	(1,233)
Schedule 15—Interest Expended		
1 Interest on deposits	130,030	111,230
2 Interest on Reserve Bank of India/Inter-bank borrowings	5,718	20,819
3 Others	31	177
TOTAL	135,779	132,226

(Rs. 000's)

	Year Ended 31-03-93	Year Ended 31-03-92
Schedule 16—Operating Expenses		
1 Payments to and provisions for employees	5,246	4,353
2 Rent, taxes and lighting	11,558	9,930
3 Printing and stationery	620	484
4 Advertisement and publicity	45	456
5 Depreciation on bank's property	1,560	1,691
6 Auditors' fees and expenses	85	73
7 Law charges	554	140
8 Postages, telegrams, telephones, etc.	732	508
9 Repairs and maintenance	1,239	1,445
10 Insurance	862	617
11 Other expenditure	8,898	6,391
TOTAL	31,399	26,088

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

Notes forming part of the accounts for the year ended 31st March 1993

I Principal Accounting Policies

1 General

The financial statements have been prepared on the historical cost basis.

2 Foreign Currencies

(i) Assets and Liabilities in foreign currencies are translated at the rates prevailing at the end of the year

(ii) Outstanding forward exchange contracts are revalued at the rates prevailing at the end of the year and the resultant gains or losses are accounted for However, the contingent liability in respect of outstanding foreign exchange contracts is included at the contracted rates

3 Investments

In accordance with the Accounting Standards for Investments laid down by the Reserve Bank of India, investment portfolio is classified into "Permanent" and "Current" categories

Permanent investments are stated at cost adjusted for any premium or discount amortised from the date of purchase to date of maturity on a straight-line basis.

Current investments are stated at the lower of cost and market value.

The aggregate market value of Investments as at 31st March 1993 is Rs 801,082,771

4 Advances

Provisions for bad and doubtful advances have been made to the satisfaction of the Auditors -

(i) in respect of identified advances, on the basis of norms laid down by the Reserve Bank of India for identification of and provisioning for non-performing assets.

(ii) in respect of other advances, as a percentage of the total pre tax profit for the year, after taking into account general factors that relate to latent doubtful debts which are not separately identified

Loans and advances are stated net of provision made under (i) above

5 Revenue Recognition

(a) Interest income on all advances other than non-performing assets is recognised on accrual basis. In respect of non-performing assets interest is recognised on cash basis.

(b) Income from investments is accounted on accrual basis

(c) Commission, exchange and brokerage is accounted on accrual basis.

6 Depreciation

Depreciation is provided for on fixed assets on the written down value basis at the following rates which are equal to/higher than those prescribed under Schedule XIV of the Companies Act 1956

Office Equipment	25%
Office Furniture	10%
Computers	40%
Vehicles	20%

7 Gratuity

The liability for gratuity is accounted for on the basis of actuarial valuation carried out once in two years Gratuity liability for 1992 1993 has been provided for on the basis of actuarial valuation carried out upto 31st March 1993

8 Net Profit

The net profit disclosed in the profit and loss account is after

1 Provisions for taxes on income in accordance with statutory requirements,

2 Provision for doubtful advances,

3 Transfers to contingency funds,

4 Other usual or necessary provisions

II The difference as at 31st March 1993 between the book value and the market value of permanent investments has not been provided for, since these investments are intended to be held upto maturity and, in the opinion of the management of the Branch, the fall in the market value does not affect their realisable value at maturity

III Change in Accounting Policy

From the year 1992 1993, the investments are being accounted as detailed in Note I(3) above as against being accounted at cost till last year As a result of this change, profits for the year are understated by Rs 96,937 11 and Reserves and Surplus and Investments as at 31st March 1993 are understated by same amount

IV Previous year's figures have been regrouped wherever necessary to make them comparable with the current year

As per our report of even date attached

For N M RAIJI & Co
Chartered Accountants

Sd/
Nirmal Singh
Partner

For BANK OF BAHRAIN AND KUWAIT B.S.C
Bombay Branch

Sd/
M G Ramakrishna
General Manager & Chief Executive Officer - India

Sd/
Firoze Hansotia
Assistant General Manager

June 25, 1993

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

BOMBAY BRANCH

Report of the Auditors

We have audited the attached Balance Sheet of the Bombay Branch of Bank of Bahrain and Kuwait B.S.C. as at 31 March 1993 signed by us under reference to this report and the relative Profit and Loss Account of the Bombay Branch of the Bank for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with provisions of Sub-section (1), (2) and (5) of Section 211 and Sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The Accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949

We report that subject to and read with the foregoing remark

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory,

b) The transactions of the Branch which have come to our notice have been in our opinion, within the power of the Bombay Branch of the Bank,

c) In our opinion, proper books of account, as required by law have been kept by the Branch so far as appears from our examination of those books,

d) The Balance Sheet and Profit and Loss Account of the bombay Branch of the Bank dealt with by this report are in agreement with the books of account,

e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at 31st March 1993 and the Profit and Loss Account gives a true and fair view of the Profit of the Bombay Branch for the year ended on that date.

For N M RAIJI & COMPANY
Chartered Accountants
Sd/-
Nirmal Singh
Partner

Bombay
Dated. June 25, 1993

Globalisation and 'Muslim Belt'

Reshaping of British Racism

Kalpana Wilson

Over the past few years, images of Muslims have acquired an important place within the racist discourse of the British establishment. To understand and combat this new aspect of racism, we need to look at how it is linked to shifts in the balance of power in the world, and especially in south Asia since the late 1980s.

ON May 28 this year, Winston Churchill, a Tory MP and grandson of the famous wartime British prime minister, publicly claimed that the 'British way of life' was under threat from a 'relentless flow' of immigrants from the Indian subcontinent. What distinguished this speech, which made front page news, from previous outbursts such as Enoch Powell's notorious 'rivers of blood' speech of 25 years ago, or for that matter Margaret Thatcher's 1978 warning against 'swamping' by immigrants, was not its fascistic overtones, its cold-blooded manipulation of popular racism, or its blatant falsification of facts and figures. It was the fact that, for Churchill, 'Asian' appeared to be synonymous with 'Muslim' and the threat posed by 'immigrants' was described in religious terms: Britain would soon have "two million Muslims"; 50 years from now, "the muezzin will be calling Allah's faithful to the High Street mosque".

This reflects a new element within the racism faced by Britain's Asian communities, who form a substantial section of Britain's black working class. Over the past few years, images of Muslims have acquired an important place within the racist discourse of the British establishment. The widespread portrayal of Asian Muslims in Britain as barbaric, violent 'fundamentalists'/fanatics dates back to the events which followed the publication of Rushdie's *Satanic Verses* in 1988. During the 1991 Gulf War, this anti-Muslim hysteria reached a new pitch. Iraqis, Palestinians and other people from west Asia were randomly interned in the streets, mosques were burnt down and racist attacks escalated. Asian men, Hindu as well as Muslim, found themselves taunted as 'Saddam Hussain'; every Asian was now a Muslim and a 'terrorist'.

More recently, however, these attacks have both intensified and become more specifically targeted. For the first time explicit distinctions are being made between 'Hindus' and 'Muslims' and racist statements like Churchill's are being expressed ostensibly in terms of religion.

The nature and content of British racism has always been shaped by the particular needs of the British economy, as well as the dynamics of global political and economic relationships. In order to understand—and combat—this new aspect of racism, we need to look at how it is linked to shifts in the balance of power in the world as a whole, and in particular in south Asia, since the late 1980s. In doing this, we need to consider the extent to which the nature of capital itself in the 1990s has affected the dominant ideology of advanced capitalism and the role of the nation state within it. And we need to look at the specific changes which have taken place within the British economy during the same period, and their significance for Britain's black communities.

From Cold War to New Crusades

Since the collapse of the Soviet Union capitalism has emerged as the globally dominant economic system, but it is capitalism in crisis, with desperate needs for new markets and sources of cheap labour. To meet these needs, new demands are being made upon the countries of Asia, Africa and Latin America. Those countries which (like India) have established an industrial base and some independence from western capital are being forced to liberalise, implementing policies which lead to heavy dependence on imports and on footloose foreign investors, massive indebtedness and spiralling unemployment. Meanwhile those countries where the markets and infrastructure required for this type of exploitation do not exist are being turned into dumping grounds for western arms manufacturers with a series of devastating wars being kept alive by covert, and not-so-covert US activities. Yet in all these cases, imperialist forces are encountering resistance in one form or another from the peoples of these countries. With the cold war over, the centrality of the contradiction between these people's movements and the imperialism of globalised capital is clearer than ever.

To explain and justify these battles, a new enemy has been constructed in the west. The new 'Evil Empire' is the 'Muslim belt'. 'During the Gulf war we were told that this stretched from the Muslim ex-Soviet republics in the west, through Iran to Pakistan in the east. In 1993 the concept is being applied even more widely. For example the 37-year old war for independence of southern Sudan can now be described as an attack by the "Muslim Arab north" on the "Christian African south" and juxtaposed (as in a recent feature in the British *Guardian* newspaper), with the rise of fundamentalist forces in Egypt who are opposing the effects of president Mubarak's IMF-dictated economic reforms, under the heading of "Islam on the warpath..."

With the enemy thus defined in religious terms, the struggle for capitalist domination can be portrayed even more explicitly as a battle between 'good' and 'evil' with the forces of good represented by the inseparable trinity of Christianity, Democracy and the 'free' Market. The late colonial myth of 'progress' and 'backwardness' is there too of course, with a package of enlightening IMF conditionalities constituting the 'white man's burden' of the 1990s. But the imagery of this latest imperialist offensive is altogether more violent, reminding us of a much earlier phase of accumulation—Europe's plundering raids on the countries of west Asia, which it glorified as the Crusades.

This moral, 'good vs evil' element of the new ideology is crucial. During the cold war era, any aggression could be justified on the basis of the need to defend the 'free west' against the growing military strength of the communist 'bloc' (even though the cold war was being fought out in third world countries like Vietnam, Korea and Cambodia). Now, however, the perceived threat is not from militarily powerful states like the Soviet Union, but from people's movements whose military strength is negligible compared to their adversaries. But with capitalist expansionism portrayed in the terms of a war against evil, against alien gods, then as in the Crusades and the Conquest of the Americas, any degree of brutality becomes justifiable in this new phase of economic plunder.

Imperialism and Globalisation

There is clearly a strong relationship between the new emphasis on a constructed Islam in imperialist ideology and global political and strategic shifts. But how far have the related changes in the actual nature and form of contemporary capitalism shaped this construction?

By the early 1980s, TNCs and MNCs had emerged as major forces in the world economy. The 1980s saw increasing fragmentation of the production process, largely driven by the continuous search for sources of cheaper labour. As Carl Hahn, a representative of Volkswagen stated explicitly in 1991, "A global strategy means fine tuning an international division of labour, segmenting work, taking advantage of wage differentials—the different price sensitivities of products, the different contributions products make to our overall productivity and so on" (*Harvard Business Review*, July/August 1991, p 111).

A relatively new development during the 1980s was the massive growth of financial operations taking place on a global scale. As C T Kurien (*EPW*, April 10, 1993, pp 655-65) recently pointed out, in a climate of volatile exchange rates, "shrewd financial transactions, buying and selling of shares, buying and selling of enterprises, take-overs, mergers and all forms of 'paper entrepreneurship' are becoming the best ways of making profits" for TNCs and MNCs. It is this mushrooming of financial speculation at the expense of actual production, which has (even more than the complex division of the production process or the multinational ownership of MNCs and TNCs), led to the suggestion that capital is now genuinely 'globalised', and that these units can be seen as independent of any national economy or government.

Yet for these processes to continue requires certain conditions to be maintained through the policies of third world governments, including unrestricted freedom of movement across national boundaries for capital and goods, convertibility of currencies, and economic and social policies which perpetuate the supply of cheap labour. Movements of people's resistance to these policies must be suppressed, if necessary through the encouragement of reactionary, chauvinist or blatantly fascist forces. Institutions like the IMF and World Bank as well as the governments of advanced capitalist countries are still playing a central role in maintaining these conditions.

The perpetuation and justification of this role through the ideology of imperialism also continues despite the 'globalisation' of capital. But inevitably new aspects of this ideology will reflect this globalisation, while remaining rooted in the history and culture of the western societies where it originated. This is perhaps one reason why instead of championing the interests of nation states or strategic blocks, the emphasis now is on the defence of a vaguely defined but world scale 'civilisation' against an equally global enemy, 'Islam', with no controlling centre (unlike its predecessor, world communism) and few unifying features beyond a perceived threat to capitalism. What is clear is that the relationship between capital, the nation state and ideology in the 1990s has become a vital issue for the left to address.

The recession and the devastating consequences of a decade of Thatcherism—which meant the effective dismantling of Britain's manufacturing industry during the 1980s—has left Britain trying to attract investment from foreign-owned MNCs and TNCs on the basis of its cheap labour and lax labour protection laws. The dogged refusal of the British government to accept Maastricht proposals limiting the number of hours per week employers can demand from workers to 48 recently underlined the implications of such a strategy. While successive pieces of legislation have removed whatever legal safeguards existed for workers (the most recent is the Employment Bill, under which Wages Councils, which set a minimum wage for some of the lowest-paid sectors of the economy, are to be abolished) the trade unions have been systematically attacked and their effectiveness undermined. Union membership has fallen from 53 per cent of workers in 1979 to 37 per cent now. But this also reflects underlying changes in the structure of production and the character of the workforce itself. Britain now provides workers at the least skilled levels of globalised production processes, through small-scale subcontracted factories and sweatshops scattered throughout its ex-industrial wastelands, surviving precariously on contracts from large firms and paying wages far below any estimate of an acceptable minimum wage. The white male skilled workers who formed the traditional base of the trade union movement until the late 1970s have been virtually eliminated: employment here is often temporary and/or part-time (two British workers in five are now outside permanent full-time employment), and is offered largely to women. And it is here that black workers fit into the British economy in the 90s—while London's service sector, which has grown along with the ever-expanding demand from the City's financial sector, maintains its profits increasingly through the exploitation of recent refugees from third world countries, outside London men and particularly women from the established Asian and African-Caribbean black communities of the Midlands and the north of England are finding that the only available jobs are in the small factories which supply companies like Ford, Nissan, IBM and Xerox. But these factories are also today one of the few sources of workers' militancy, and workers there are finding new ways of organising, going beyond the limitations of the traditional trade union structures, as at Burnsall, a metal processing factory supplying car parts to the big manufacturers, where a strike led by Asian women workers has been going on for over a year.

Changing Face of British Racism

Black people first came to Britain as workers in significant numbers in the early 1950s, in response to the needs of the booming post-war British economy. As the expectations of white workers rose, black workers were systematically recruited to do the worst paid and most unpleasant jobs, providing labour for the newly established national health service and for London transport, and working night shifts in mills and foundries while the day shifts were kept for white workers. The racist ideas which had evolved out of—and reinforced—the systems of surplus extraction from Britain's colonies now allowed black people in Britain to be exploited to the full.

But while images and assumptions inherited from colonialism continued to shape black people's experiences in Britain in the 60s and 70s racism developed a whole new dimension which was rooted in the role of black workers in the British economy, and the relationship between black communities and the state in Britain.

In order to enforce Draconian immigration laws, whose role was both to regulate the labour supply and to limit and control the establishment of settled black communities who could demand basic rights, Asians were defined in popular racism as 'illegal immigrants'. Denied access to decent housing, they were accused of creating squalor and overcrowding.

In the 1980s, with growing unemployment and increasingly organised resistance to state policies from the black communities, repressive policing and surveillance of these communities was intensified. At the same time, however, subtler forms of control emerged which involved the appropriation and reconstruction of particular cultural identities. 'Multicultural' policies apparently recognised the specific needs of so-called 'ethnic minorities' in the fields of education, social services and access to resources for community organisations. But underlying this was an attempt to reverse the process through which a "black' identity had emerged out of a series of shared struggles against racism as a political identity through which people could define themselves in relation to the British state and white society. cultural identities were redefined as a static set of 'traditions' which denied the reality of struggle and change. Black was divided into Asian and African Caribbean, and Asian in turn was divided into Gujarati, Punjabi, Bengali... These 'divide and rule' policies were strengthened by making organisations representing these 'ethnic' communities, often led by the most reactionary elements within the community, compete with each other for state funding. Significantly however, during this period the ethnic identities which the state imposed on Asians were linguistic ones—country of origin never came into it, and religion was merely touched upon.

Clearly therefore, the new wave of British racism expressed in specifically anti-Muslim terms is rooted in specific economic and political changes which have taken place relatively recently. Firstly, the recession and the economic policies of the 1980s have led to a sharp polarisation between the standards of living of rich and poor and massive unemployment among Asians—Hindu, Muslim and Sikh. And without an industrial base, the British establishment is no longer confident and secure—as we have seen, economic survival now depends on attracting

foreign investment and on the goodwill of America, Germany and Japan. This has engendered a paranoia, a fear on the one hand of the 'underclass', the dispossessed who at any moment may rise up and demand their share and on the other of 'outsiders', the 'enemy within' who are working to undermine the fragile fabric of society.

This was the mentality which informed the documentary 'Underclass in Purdah' which was shown on the BBC's long-established documentary series 'Panorama' a few months before the Winston Churchill speech. The film provoked widespread anger with its portrayal of Bangladeshi and Pakistani Muslims in Britain as an 'underclass' of "criminals, drug-pushers and pimps". It is present too in the media's coverage of the establishment of Muslim schools in Britain, full of dire warnings about the undermining of British 'traditions' of democracy and liberalism; or in the variety of implicit and explicit media comments on the 'loyalty' of British Asian Muslims, ranging from responses to anti-Gulf war protests to coverage of England-Pakistan Test Matches.

The fact that the Panorama documentary chose to emphasise the 'close ties' of the Asian Muslim communities with Pakistan and Bangladesh highlights a key change in the character of British racism. For the first time since the height of the anti-colonial movements, we have entered a phase where the dominant perception of black people in Britain is being largely determined by struggles between imperialism and third world peoples, and specifically by Britain's relationship with their countries of origin. In this period of acute economic crisis and globalisation of finance and production, the outcome of these struggles is vital for British capital. Equally importantly, as we have seen, the few jobs which are available to black people in Britain now incorporate them into a dispensible globalised workforce, alongside workers doing identical jobs in third world countries, and into economic relationships which extend beyond the boundaries of the British state. Not surprisingly then, whereas previously the position of black people in racist ideology was defined by their role as workers in British industry, it is now defined increasingly by their real or imaginary connections with anti-imperialist forces.

For the British state then, black people bring back to Britain the threat which third world peoples are posing to its interests on a global level. In fact, the connection between black communities and the threat of third world revolution is made explicit in European-level policy formulation, where issues of combating 'global terrorism', preventing immigration, and deterring asylum-seekers have become inextricably linked in the discourse of 'Fortress Europe'.

In this context, Britain's differential relationship with the countries of south Asia has become an important factor shaping the experiences of Asians in Britain. While western governments continue their covert support for pro-western Islamic organisations like Bangladesh's Jamaat-i-Islam, in a reversal of earlier positions India has in the last few years emerged as the favoured ally of the west, the enthusiastic proponent of IMF-dictated liberalisation policies—a position which is unlikely to change even—or especially—if the Hindu fascists' project of capturing state power were to be successful.

Of course, the British government has always had a 'special relationship' with the Congress Party and the Indian authorities—but recently this has been noticeably strengthened. We have seen a spate of top-level official visits, notably John Major's Republic Day presence in the wake of Ayodhya and its aftermath, widely regarded among Asian communities in Britain as an endorsement of the Indian state's role in those events. And India's new economic policies are receiving an ecstatic prodigal's welcome: Manmohan Singh, as *Guardian* readers were informed recently, is a man whose "vision of human beings" would "help create wonderful dreams instead the living nightmares of hell called the daily lives of ordinary Indians". (For the British public, familiar with the film 'Gandhi' such unworldly saintliness is only to be expected in an Indian leader.)

This portrayal of India as a bastion of democracy and the free market, and its position at the heart of the supposed 'Muslim belt' fits well into the 'Islam vs civilisation' world-view. And it has serious implications for Asians living in Britain.

For the first time Asians are being characterised within the dominant discourse as Indians, Pakistanis and Bangladeshis. Indians, we are told, are more hardworking, better educated, more law-abiding, and, presumably as a result, wealthier. The stereotype of the successful Asian shopkeeper, elusive in real life (most Asian shopkeepers from all communities went into business as the only alternative to the crushing racism of factory work, and remain in business only through superexploiting themselves and their family members) is now being used to distinguish, in racist mythology, 'decent' Hindu Indians from 'criminal' 'fanatical' and 'irrational' Muslims and Sikhs. These new distinctions are used—like the old ones—to divide and weaken the black communities.

On another level, the commitment of the British and Indian governments to "co-operate in the fight against terrorism" which was formalised during the home secretary's 1992 visit to India, has had several concrete consequences. Applications by Indian nationals for political asylum in Britain are now largely being rejected, sometimes on the basis that these people pose a threat to Britain's own 'national security'. For British immigration officials and police, Sikhs and Kashmiris settled in Britain are no longer simply 'illegal immigrants, but potential 'terrorists' as well. This has been used to justify intensified harassment and surveillance (through, for example, the proliferation of passport checks for any kind of state benefits) of working class Asian communities. And while in several cases organisations representing opposition to the Indian state have been investigated by the authorities here and had their funds seized, British-based 'NRI' businesses continue to provide large-scale financial support for the BJP and the VHP unhindered by the British government. In fact, the VHP currently controls a number of Hindu 'community' organisations which have received funding from the British state—and continue to do so despite their blatantly communal position—another example of the British state's strategy of promoting the most reactionary elements within the black communities.

These changes in British racism—and the shifts and transformations which have produced them—raise a number of questions of strategy for anti-racist forces.

One of the most striking implications is that if struggles taking place in third world countries are now once again directly shaping British racism, it is vital that progressive black organisations in Britain develop a clear international perspective, and in the case of groups based in Asian communities, that strong and effective links are forged with anti-imperialist, democratic and revolutionary people's movements in the countries of south Asia. All too often in the past, these black groups, fighting urgent daily battles against the state, against fascists on the streets, and within the community itself, have limited their wider vision to symbolic identification with the straightforwardly anti-racist, anti-imperialist struggles of the peoples of South Africa and Palestine. They have succumbed to the British media's deliberate mystification of south Asian politics which is portrayed as unimaginably complex and motivated by irrational and inexplicable passions. Now however this is changing—there is a growing recognition that not only do we need to understand this politics in order to make sense of our own experiences in Britian, but in a future of globalised capital, active alliances between exploited peoples will play a vital role in the formulation of strategies for resistance and revolutionary transformation.

[Many of the ideas in this article have developed out of discussions in South Asia Solidarity Group.]

When is Access to Health Care Equal?

Some Public Policy Issues

V R Muraleedharan

The purpose of public policy, both in market and non-market economies has always been to reduce barriers in access to health care. To achieve this purpose, it has to address certain questions: What does equality of access to health care mean? What can be done to promote equality of access, however it may be defined?

I

THE issue of equality of access to health care has two related questions—access to whom and access to what? They seem to have a simple answer: there should be access to health care services for anyone in need of it. Specifically, it means that, non-medical features of individuals (such as their community, sex, geographical location, or ability to pay) should not determine their access to health care. While public policy in the past has tended to remove some of the important barriers in access to health care, it has had to face more acutely the question, access to what.

Whether or not policy-makers believe in greater intervention by the state, or in market forces for providing health care, they should be concerned with the following central questions:

(a) Does it improve the access to and maximise the quality of health care?

(b) Does it minimise the cost of health care? and

(c) Will it be politically and otherwise feasible and acceptable?

These questions may be stated in different ways, but the issues remain the same all over the world. The available resources are limited and therefore every rupee committed to health care would mean a rupee less for other things. We must know what we would have got for every rupee that we give up. The trade-off issue involved between cost of care and effectiveness (at individual and societal levels) is becoming more and more difficult to resolve over the years as advances in medical technologies take place. The importance of this critical trade-off issue lies in the fact that the outcome of these decisions will determine 'who shall live'.

There are a number of macro decisions that need to be considered while designing a health-care system for a country. These macro decisions determine (a) what kind of health care services will exist in a society, (b) who will get them and on what basis, (c) who will deliver them, (d) how the burden of financing them will be distributed, and (e) how the power and control of these services will be distributed.[1] These decisions, which critically affect the level and distribution of our well-being ("the risk of our getting sick the likelihood of our being cured, and the degree to which others will help us when we become impaired or dysfunctional") involve issues of social justice. The issues of social justice are: How much of equality should there be?, What inequalities in access to health care are morally acceptable? How should the burden of achieving that equality be distributed? We are yet to evolve a framework and a set of principles which may serve as a 'public and final' basis for resolving disagreements about how basic institutions, such as health care institutions, should be designed; so far, there appears to be no consensus on any set of principles to resolve the conflicting claims advanced by different groups within a society.

Some believe that an appeal to the notion of right to health care will help redesign the system which can eliminate inequalities in the distribution and access to health care. But it should be noted that a clear distinction between right to health care and right to health is not always possible. The notion of right to health care is too broad and vague unless they are specified further. Things become a lot more complicated, when we want to express our concern for equality while talking about right to health: do we want 'equal right to health', or 'right to equal health'? The right to health includes a much broader range of actions—some of which are normally not considered as part of health services—that affect health. A right to health care could mean different things to different people, both with regard to the scope of what is being claimed and with regard to the justification it needs. In general, a right to health care may be decomposed into the following:[2]

(1) Society has the duty to its members to allocate an adequate share of its total resources to health-related needs, such as the protection of environment and the provision of medical services;

(2) Society has the duty to provide a just allocation of different types of health services, taking into account the competing claims of different types of health needs;

(3) Each person is entitled to a fair share of such services

But none of these helps (that is, asserting a right to health care does not help) us in anyway in deciding about the following policy issues.

(1) What share of total resources is adequate for servicing health needs?

(2) How should such a share be divided among the different types of health needs?

(3) What is an individual's fair share of such health services?. This includes an answer to the question, who should pay for the services?

The right to health care is thus very vague and this does not help us settle the complex problems about how health services should be financed.

It appears as if the most important question underlying the above discussion is: 'Is health care special'? Should we view it as we view other commodities in our society so that inequalities in access to health care may prevail with inequalities in other respects; or, should we view it as 'special' because of its very specific functions and its effects in improving the quality of our life in various ways? Irrespective of the position we may take, it should be noted that the question: Is health care special? determines the basic structure and design of a health care delivery system. As the special nature of health care continues to occupy the minds of academics and policy-makers, there is a strong view emerging all over the world that there are reasons of justice for distributing health care more equally. This has played a significant role in regulating the structure of the delivery system: these include regulations about the extent of capital investment in health care, containing cost of care through various cost-sharing and budget-capping proposals, restricting the autonomy of providers, etc.

The tremendous increase in the cost of delivering health care, which is one of the direct consequences of its increasing dependence on high-technology, has posed more sharply the question of access. The purpose of public policy, both in the market and non-market economies, has always been to reduce some of the important barriers in access to care. In fact, the two most important goals, namely, (a) to have an universal access to health care and (b) to contain the cost of obtaining care,

have largely guided the policies of many countries; the primary health care (PHC) model adopted at Alma Ata conference in the late 1970s was largely guided by these two considerations. But whether or not and to what extent such policies in fact have helped achieve full or greater equality in the distribution of health care is not our main concern here. We are more concerned with asking, what does equality of access to health care mean? What can we do to promote equality of access, however it may be defined? The former is dealt with in Section II and the latter in Section III.

II

The literature on access to health care is quite extensive, covering a wide range of issues, one of which is the measurement of the inequality in access to health services. It is often in the selection of criteria for the measurement of inequality that disagreements arise. What follows is a brief discussion on some measures of equality of access to health care, as proposed by Julian Le Grand, and Jones and Moony.[3,4] The measures that we consider here are: (1) Equality of public expenditure; (2) Equality of cost of health care; (3) Equality of physical accessibility; (4) Equality of use (use per need); and (5) Equality of outcome. This list is certainly not exhaustive; it is possible to add a few more.

Equality of Public Expenditure

This argues that resource allocation for health care to individuals should be made on per capita basis. This will result in allocation of the available resources to the members of the society in equal proportion. The weakness of this apparently just approach is that different individuals may have different health care needs and therefore equality of public expenditure may in reality be inequality. There may be no consistent bias or a pattern of disadvantages against any particular class, but if its health care needs are taken into account (say, based on the reported level of illness of the individuals), they might be spending much less than they ought to have been.

Equality of Cost of Health Care

This argues that the cost of obtaining a health service should be the same for all the individuals. While it establishes equality in terms of cost of care, it clearly ignores the principle of ability to pay. In fact, much of our confusion about equality of care arises because not all members of a society belong to the same economic class and have the same purchasing power. Financial barriers lie at the centre of our discussion about equality. Individuals belonging to different economic classes but with equal need for a particular health care service would suffer from unequal access to it if the cost of obtaining it is the same for all. So obtaining equality of cost indeed will result in inequality of opportunity to access.

Equality of Physical Accessibility

The role of space in defining equality of access is very important, as the distance an individual has to travel to reach a health care facility has a direct bearing on the extent to which he/she will use it. Some studies have shown that the use of health services is a direct consequence of proximity to those resources.[5] In essence, one may say that there is a "distance decay in the number of patients registered with a particular doctor with distance from the doctor's surgery".[6] Travelling a long distance to make use of a health care facility will affect the actual use of it, for it involves loss of time, effort and money. This deficiency may be remedied by recognising the social groups for whom distance is a major barrier to access and locating the facilities in discrete positions. Measuring inequality of access using physical accessibility is very useful for micro-level understanding of the prevailing conditions. The trouble with this measure is that it may not cater adequately for the regional need. In a sense, it is similar to the notion of equality of per capita expenditure: just as it does not in general satisfy the needs of different individuals, the equality of physical accessibility too does not in general cater to the needs of a region. It may be that a region well provided for (relatively speaking) might in fact need more resources to meet the required level of care.

Equality of Use

Another view is that there should be equality of opportunity to use according to the needs. Various attempts have been made to infer this from measuring 'equality of utilisation per need'. This is an important criterion, perhaps the most appealing of all mentioned so far, since it demands that individuals will have access to health care whenever there is a medical need. In effect, it states that only health status should determine access to health care—equal treatment for equal need. But we know that there are several factors other than health status that have an effect on the use of health care, and therefore we require a way of testing which of these other factors actually do have a significant effect on access (measured in terms of actual use). These other factors may be termed potential access factors; some of them are related to the structural features of the health care system, such as the availability of physicians, hospital beds, patient-doctor ratio, distance, etc, and some of them reflect the 'predisposing and enabling' features of the individuals in the population, such as age, social and cultural background, income and insurance coverage level, etc.[7] All these play an important role in determining the level of access to health care achieved by an individual. Our task is to understand and explain how much of the variations in actual use of health care is due to need and how much due to potential access factors. If our policy is to allow access to health care based on need alone, then we must eliminate all of barriers arising from the potential access factors which produce intergroup variations on realised access (utilisation rates). If a potential access variable, say waiting time for an appointment (sometimes also called a process variable in the literature), is found to have no effect on utilisation rates for population subgroups, then it is not causally significant according to the criterion being proposed. The test of equality of opportunity to use is the actual use, it may be claimed, because, "the proof of the pudding is in the eating".[8]

But we must be careful about this logic. It is true that measuring equality of access as use per need has certain relative advantages over the others. But there can also be several objections to using such a measure (a) variations in potential access factors can have serious equity implications even if they do not show up in utilisation rates. Time spent in the waiting room, or the money spent out-of-pocket, may not affect the utilisation rates, but may have a significant effect on the satisfaction with care. Equal utilisation per need does not necessarily mean equal efficacy of the services delivered. The quality of services might vary, though use per need is similar. The issue is also closely linked to the patients' perception of quality of care received by them; (b) It is therefore arguable that "uniformity between subgroups in utilisation rates (use per need) is not even a necessary condition for equitable access".[9] For example, some subgroup variations might be explained by differences in attitudes toward health care. One can give several examples in this respect. One might underuse a health care facility simply because one is averse to it on some moral or philosophic grounds. There may be some religious and aesthetic reasons as well for not using a service. It may be due to ignorance, or due to informed (principled) choice. Perceived subjective needs (i e, one's perception of when one is in need of medical care) play an important role in seeking health care. So, clearly the 'equality of use' approach leaves much room for modification. Equity of access must ensure equality of quality of care. This condition is perhaps the most difficult to ensure and none of the above measures can capture this aspect adequately. In fact, as we shall see below, the quality of care (as felt and realised by the patients) has now become an important component in evaluating the effectiveness of medical services.

The measures that we have discussed so far are concerned with equalisation in the provision of health resources. Equality of outcome attempts to measure the outcomes of such provisions of health care, rather than merely on the amount spent on the various sections of the society. To the extent there is equality in health, it may be argued, we may say that equality of access has been achieved. This is closely akin to the issue of right to equal health, referred to in Section I. This is a much larger issue. We may measure the outcomes of health care provision, say in terms of age-specific death rates, life expectancies, and so on and compare them across various populations. But such comparisons do not recognise the genetic, cultural and other exogenous factors that have a bearing on the health of the people. We do not have a neutral definition of health that can be applied to individuals from diverse cultural and social backgrouds. Some individuals may not desire, for example, the same years of life, or may (in fact, do) view illness differently. The definition of good health is perhaps the most vexing and frustrating of all issues. In fact, a new movement is taking place in redefining 'outcomes' of medical interventions. Traditionally, safety and efficacy of medical treatments were measured using clinical, physiological and biomedical indexes. Now the range of outcomes has been expanded to include the following: functional status, emotional health, social interaction, cognitive function, degree of disability and so on.[10] The information on these can be obtained only with the help of patients which will be subjective. Although these are still imperfect measures, it is hoped that they will greatly enable the providers, the employers, the policy-makers and other concerned parties (like insurance companies) in evaluating more rigorously the effectiveness of outcomes of medical services. Understanding how different interventions affect ('such factors as physical and emotional function, social activity, and return to work') will provide a more sensitive gauge of the effectiveness of interventions. Providing such information to doctors and patients may lead to wiser decisions.[11] The point made here is that use of traditional measures of outcomes to infer the level of access to health care is highly inadequate and is no more considered satisfactory in evaluating effectiveness of medical services. Therefore, such measures cannot adequately reflect the equality of access to health care achieved.

III

When is then access to health care equal? and how do we measure it? Each of the above-mentioned measures of equality of access fails on many grounds, particularly in meeting "needs". The identification and measurement of need is central to the promotion of equality of access. It appears that neither equity nor need can be defined precisely. To what extent each of the measures discussed above answers the two interrelated questions, access to whom and access to what? Should we allow universal access to all forms of available and validated health care services or only to select health services? The issue is one of achieving a balance between horizontal and vertical equity. The discussion invariably leads us to defining health care needs, and still further, to questioning whether each of such needs (however they may have been estimated) should necessarily be fulfilled. There is in fact yet another deeper problem in the whole exercise, namely, the presumption in all our discussions that for every medical need there exist a remedy, even though often there is none.[12]

It appears that it is impossible to define basic health care needs, strictly speaking, for all the individuals in the society. It varies from region to region and from decade to decade, because our capabilities develop with changing technologies and knowledge-base. Yet at any given point of time we are forced to set our priorities, and decide who shall get what and how much. Every country in the world at present has been attempting to define its basic health care needs, which boils down to prioritising the various health care programmes and each one of them has been experimenting with a combination of different mechanisms for delivering health care to achieve equity in health care provision.[13] Some countries have largely relied on market forces to deliver health care, some have chosen to deliver solely through public funds, and there are some other countries which have adopted a combination of these two methods to different degrees. But what ever be the mechanisms adopted or been experimenting with, there has been increasing evidence of widening disparity in access to health care across various social classes.

As for India, a recent study undertaken on behalf of the World Bank, laments that "if maternal and child health, rural health services, and control of infectious diseases are high priorities in government health policy, the policies have not yet been effectively translated into budget priorities".[14] It finds a strong urban bias to spending—the share of the urban residents of the total public health spending is nearly 2.5 times their share in the population. It also finds that state-level health spending is higher in states that are richer and in those that have lower infant mortality rates. States with higher infant mortality rates are found spending lower per capita, and these states also have a low per capita income. Generally speaking, there is a negative relation between infant mortality rates and state spending. The relation between income and infant mortality rates and plan (special projects and capital) expenditure are similar. Apart from suggesting that urban spending be frozen and that expenditures are targeted to rural areas, it offers two specific suggestions to promote equity in health care:[15]

(a) User fees and insurance can be used to support private goods (such as curative services), with government funds allocated to programmes that provide benefits extending beyond individual (such as communicable disease control) and that lend themselves to geographical targeting; and

(b) Government should target its expenditures effectively to poorest areas and those with the worst health indicators.

The study urges the central government to play a much larger role to improve the health of the poor, for they cannot expect much benefits from private sector or insurance expenditures. Such a policy, the study suggests, is a better way of dealing with the following equity issues:[16]

(a) To what extent is public expenditure targeted to address health problems whose mitigation would generate benefits beyond individuals? and

(b) To what extent is spending targeted to socially disadvantaged population groups who might consume fewer health services than socially optimal if they had to bear the full cost of those services?

The policy of targeting public spending on poorer areas with high mortality rates in fact attempts to promote equality of health outcomes, and also particularly of real income. While, as we shall elaborate later, the allocation of public health resources generally has significant effects on health status and efficiency and equity of health sector speding, it is not yet clear as to which of the public health programmes should have higher priorities. No one would oppose that programmes to reduce maternal and infant mortality should have a high priority. But as we compete with other public health programmes, such as control of infectious disease, how do we set the priorities and allocate the resources?

There are two difficulties here. The first one already referred to is that we do not know, strictly speaking, what basic health care is. The second difficulty is the assumption (the hope) that the market or the state could fulfil those needs. Till today there is no satisfactory answer to these two fundamental issues. Yet, choices will have to be made for allocating resources for various health programmes, and they will be arbitrary so long as we do not have satisfactory guidelines that will take into account not merely economic but medical and ethical considerations as well:[17]

> To be medically justified, rationing decisions have to be personalised, because no two patients are exactly the same and the anticipated benefits of a given procedure vary from patient to patient...

> ...any plan to assign priorities to specific medical interventions on the cost-benefit considerations must take into account individual circumstances, balancing costs against potential benefits in each patient...
>
> With each procedure, the cost-benefit assessment depends so heavily on individual circumstances that it is almost impossible to devise medically sound rules applicable to all patients. In fact, the task is so formidable that no one has yet offered a practical suggestion about how personalised rationing might be carried out systematically and on a wide scale.

Shall we then conclude that because equity in access to health care can never be defined to the satisfaction of every concerned party, we should abandon our efforts to define and measure it? The answer is an obvious No. While we may differ in defining basic health care needs of a society, who should get access to what and how much and many other related issues, it is possible to think of certain aspects of health care which are indispensable for promoting equality of access to health care. They are absolutely essential whether or not we are able to define clearly our basic health care needs and irrespective of the extent to which we depend on market forces to deliver the goods. They are:

(1) Prevention of illness, through health education;

(2) Caring for the patients;

(3) Regulations to protect the interests of the patients as well as the providers.

These are intangibles, but they will contribute greatly towards achieving equity in health care, and health. Public health programmes will certainly go beyond the individuals and confer definite benefits to the society. But we also require some systemic behavioural changes (items 2 and 3 above) which are closely linked with changes taking place in the society at large. As Le Grand puts it, "there is little the health service can do to reduce inequality in its use or in the private cost of that use. The principle determinants are largely beyond its control. Rather, they stem from basic social and economic inequalities".[18] Equality of access to health care cannot be achieved by merely tampering with certain parameters within health sector alone; much of the solution lies outside the health sector. But it should also be noted that changes required within this sector to achieve equality of access will also contribute towards achieving equality in the broadest sense of the term. Clearly, items 2 and 3 mentioned above are products of the overall changes taking place in the society and they in turn bring about some changes elsewhere. They are by themselves qualitative in nature and they add to the quality of health care in a way other elements of the system cannot. Quality of care is perhaps the most difficult to define and measure, but one can certainly decompose it into certain elements, such as those mentioned above. These elements have begun to receive more attention of late in the discussions on equality of access to health care. What follows is a brief comment on each of these three elements.

Preventing Illness

This requires not only medical but social interventions as well. Sometimes, these are not distinguishable. Take for example, health education. This is very much an aspect of the social infrastructure required for social welfare; and this is also an effective medical intervention to maintain and promote health. Health education should result in generating more demand for health care, while at the same time it should also result in minimising the burden of care (by preventing illness) in future. It thus performs a dual role. It may increase the present load of work for the physicians and for the state, because it may increase the demand for health care; but this will be offset by the reduced incidence of ill health in the future. Such a reduction in the incidence of ill health will mean a saving in the society's resources which becomes available for other programmes. Hence, access to health care will improve over time. It is in this sense that health education programmes become cost effective, although it is not possible to measure precisely how cost effective they are. The level of health education is not only a causative factor in improving the access, but it is by itself also an indicator of achieved equality of access to health care at a given point of time. Health education is also aimed at improving the participation of the people in maintaining and promoting their health. As Hiatt puts it, "the quality and acceptability of the outcome [of health care system] rest upon the degree of public participation not only in the decisions themselves, but in the details that leads to those decisions".[19] Thus, progress in health education, an effective way of preventing illness, is also a good indicator of the progress we make towards equity in health care. It will indicate the qualitative improvements made in delivering health care. There appears to be "overwhelming evidence of health education effectiveness, in marked contrast to the paucity of health education efficiency", and this is explained as due to the fact that "health educators lack the skills for educational diagnosis, which is basic to the selection from methodological options that may be applicable to a given situation".[20] However, the policy implication is very clear: spend more on health education. In India, we have no health education programme worth its name. It hardly reaches the masses of the people and especially the poor; the famous ICMR/ICSSR report of 1980 described it as one of the most neglected areas in the health field.[21] In fact, health education can no longer be justified purely from humanitarian grounds. They play a complementary role in the delivery of health services, be it curative or preventive. It is a part of preventive as well as promotive strategy. There are some who even argue that "health education strategies could even stand on their own as better alternatives to other intervention options currently favoured by health workers".[22] It is true that preventive medicine is not always cost effective from the standpoint of either the society as a whole or the individual. But, in many circumstances, preventive medicine is cost effective and more attractive in terms of its net benefits than many forms of rescue medicine.[23] Cost effectiveness as a criterion poses a number of difficulties in evaluating medical intervention. There are several ethical and conceptual difficulties involved in judgments of cost effectiveness.[24] It is difficult to judge the cost effectiveness of many preventive and curative programmes and develop a mixture of them that will most reduce levels of morbidity and mortality.[25] In view of these, it is argued here that we should accord a high priority for health education programmes which will not only be cost effective, but can even make many competing intervention options redundant over a period of time.

Caring for the Sick

What can we say about 'caring' for the sick? Caring essentially means, "listening to the patient, identifying and relieving anxiety, recognising and managing pain and other symptoms, compassionately attending to the general and specific needs of the patient and family".[26] Caring is even more qualitative than health education, and virtually impossible to measure, but can be felt only by the those who receive health care.

It is hard to deny the fact that delivery of care has become more institutionalised and depersonalised, as the scientific benefits of medicine have been extended. As one critic puts it, 'as medicine progresses, physicians regress'.[27] Medical care has certainly become more commercialised, too entrepreneurial and the reputation of medicine as a trusted profession as well as the profession's own view of its basic values have undergone some significant changes. As Relman puts it while commenting on the state of modern medicine in America:[28]

> It is hard to predict what our health care system will look like in the year 2000, or what the conditions of medical practice will be. What seems clear, however, is that physicians will have little opportunity to help shape the future if they do not retain their public credibility... If physicians choose to act from self-interest, or even if they merely put themselves in positions that suggest self-interest, they risk damaging their most precious possessions—the trust and respect of their patients and the esteem of the general public.

There has been an increasing level of

sionate aspects of modern medicine. Several reasons are cited for this deterioration [29] Some have argued that the inequity within the profession itself, measured in terms of the differential rewards physicians receive, has been one of the causes for the present disharmony in the system [30] Many solutions have been offered depending upon what they consider to be the root causes A very widely held view is that there is something inherently contradictory between science and humanity, between technology and compassion Another explanation for the lack of compassion among the physicians is that their education has become very narrow over a period of time [31] The list of such factors can be extended The physician being largely a reflection of society exhibits the basic values governing the society As Glick puts it [32]

> the fundamental problems lie for the most part outside the medical establishment, within society as a whole. The student's basic motivations, goals, codes of ethics, and concern for others are already established when medical studies begin, and the medical school must work within these major constraints Unfortunately, medical training an disillusion and render cynical even some quite decent students, but rarely can it convert a basically self centred and egoistic person into a humanitarian

The question is can science train individuals for moral behaviour better than religion can' As western societies changed from being religious to secular societies, changes also occurred in the goals and behaviour of their citizens "the crisis of humane medicine is the result of the failure of secular democratic societies to inculcate moral and ethical values into their educational systems" [33] We must address the issue of basic education towards ethical and moral values from infancy onwards That might be achieved either with religion as a means or with some other substitute But the training in ethical values is an urgent need To use Glick's expression again, "our societies must come to grips with this problem, because this problem transcends medicine; it threatens the very fabric of [our] social structure and its future" [34]

Glick s diagnosis of the basic problem and his suggestions are not new Many have made these suggestions in one way or another In fact, the following words of the ICMR/ICSSR report of 1980 reflect the same diagnosis of the malady [35]

> Health care differs from other societal activities in the greater expectations of the public that in addition to technical competence, personnel should have an abiding spirit of social service and should bring concern and humanity to bear on their activities Unfortunately, the current trends in this regard are far from happy The impersonal callousness which is bred in large hospitals is spreading and the system is and corrupt. The public dissatisfaction against these trends is manifest and spreading the only way is to reverse these trends and reinfect the health services with a spirit of service. This is partly a responsibility of training process

Protecting Patients' and Providers Interests

The third indispensable element for establishing an equitable and sustainable health care system is to introduce checks and regulations to protect the interests of the patients as well as the providers This is required whether or not the health care industry is market-driven or centrally controlled The importance of a Consumer Protection Act in delivering a better quality of care cannot be over-emphasised We have entered an era in which 'high technology' has become indispensable for the survival of the medical industry But this has also led to overuse of technology, which forces the patients to spend more than necessary Overuse of technology in treatment could be due to several reasons A very important reason could be that the concerned physician may be having a financial stake in referring his patients to a particular facility [36] This has been observed to take place all over the world Wide variations in the use of several medical procedures have been documented across the regions in the US even after controlling for severity of illness [37] [38] This has led to the question whether the differences reflect unnecessary costs in high use areas or less than optimal care in low use areas This has been one of the important reasons for the renewed emphasis in the developed countries on the assessment of effectiveness and outcomes (discussed in Section II)

The other factors that contribute to overuse of technologies and procedures are pressures from patients or family, peers and supervisors, the convenience of the tests ordered, the desire to avoid malpractice claims, physicians' personal whims and practices, curiosity about test results, ignorance of characteristics of tests, etc. [39] [40] The physicians' "inordinate zeal for certainty" is also a leading cause of excessive testing Many tests are carried out merely to confirm a diagnosis that is virtually certain, although it cannot be said that all duplicate testing is redundant several studies have found "virtually no difference in value between treatment without further testing and the performance of more tests" [41] There is no easy way to solve this problem The causes are many and it is inextricably linked with the training given to deal with uncertainty Any cut in testing capacity may seriously affect the quality of decisions taken But the question still remains at what point will the restriction on testing impede quality? To this end, we need "clinical trials, decision analyses, and clinical efficacy projects based on literature assessments. [42], and "the potential rewards of this painstaking assessment are the preservation of high-quality care and the channelling of the resources saved into testing that we deem essential and into the provision of basic services" [42] Sometimes it is not known whether or not to continue with the life-sustaining procedures for a patient [43] In such situations the question is who should take the decision (the patient or his surrogate, or the physicians), to continue or discontinue such treatments which may end the patient's life? Obtaining informed consent is indeed a very complicated matter, to say the least. The right of a patient to accept or refuse recommended treatment requires careful assessment of his or her capacity (in terms of skills such as communicating a choice, understanding relevant information, appreciating the current situation, and its consequences, and manipulating information rationally) to take a decision. [44] Competent patients may also make 'irrational choices' for several reasons, sometimes supported by physicians themselves [45]

The point made here is that it is time we looked into these matters more closely and evolved procedures through consensus to protect the interests of both the providers and the patients It is true that different panels of experts will often disagree. Protecting the interests of the patients and the providers necessarily involves a redefinition of outcomes of medical interventions, as mentioned earlier Several cases of malpractice, negligence, and overuse of technology resulting in irreparable losses, physical and/or otherwise to the patients, have been reported almost everyday It is equally important to recognise the interests of the providers of health care as well, and be cautious in blaming them for all the ills of the system We (the patients as well as the providers) need access to justice in protecting our health and life While we are being forced to rely more and more on market forces to obtain health care, as is done in industrialised countries, we must also have the checks and regulations that they have developed to control the behaviours of the providers of health care The various professional bodies should come forward and work together in enforcing such regulatory measures The Indian Medical Asssociation is not in favour of including medical profession under the purview of the Consumer Protection Act (COPRA, 1986), for reasons that are not difficult to imagine [46] It should be noted that the medical ethics of the physicians and their employers , the patients and the policymakers are rarely identical and this difference is likely to have adverse effects on society as such "The real issue", as one critic put it recently, ' is almost never who should go to the court, but what decision must be made, who should make the decision, and on what basis" [47]

Rationing is inevitable. How far the market should be allowed to take care of rationing health care is a hotly debated matter. In some market economies, as in the US, one can see an increasing support from certain sections for more centralisation of funds in delivering health care.[48] At the same time, we also notice that there are tendencies in certain other developed countries, as in UK for example, to apply more market principles for delivering health care.[49]

Providing equal access to health care to all sections of the society is fraught with all kinds of complex conceptual, measurement as well as ethical problems. While we must continue to find better ways of defining such concepts and measure them, we should simultaneously pay attention to preventive and promotive programmes (such as, health education), 'caring' for the patients, and protecting the interests of the consumers and providers. These three aspects are only illustrative. There may be other such indispensable elements for developing a fair health care system. It is said that the health care system is an organism "desperately in need of a central nervous system that can help it cope with the complexities of modern medicine".[50] Such a 'central nervous system' consisting of elements such as those discussed in Section III is essential whether or not we have faith in market forces in delivering health care. Such a 'central nervous system' is also needed for sustaining the health care system, whether or not it is suffering from a serious cost crisis, lack of manpower, over use of technology, or such other undesirable phenomena. Ultimately, the political and community commitment and involvement will determine the "foundations for a just health care system".

Notes

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33 Ibid.
34 Ibid.
35 *Health for All*, op cit, p 145.
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Narrow Space

Ashok Mitra

Leaves from a Diary by Syama Prasad Mookerjee; Oxford University Press. Calcutta; pp 240 + VIII, Rs 300.

SYAMA PRASAD MOOKERJEE died in a Kashmir sub-jail exactly 40 years ago. Perhaps the facilities available in that sub-jail were inadequate; perhaps there was also some absent-mindedness on the part of the authorities over there. Whatever that be, his death provided bigots of one particular hue an opportunity to keep targeting at Sheikh Abdullah. It is possible to speculate whether Jawaharlal Nehru himself had remonstrated with any seriousness with the Sheikh for the latter's apparent failure to look after the health of the Jana Sangh leader, thereby creating a *cause celebre* for the conservative opposition. Conceivably what raised Nehru's greater hackles was the Sheikh's emergence as the Lion of Kashmir. That was competition, for was not the valley Nehru's pocket borough? Matters soon came to a head in Kashmir, it was Sheikh Abdullah's turn to get arrested and substituted, as the state's chief minister, by a common crook. It has been an altogether chequered history since then. If the Americans, to whom we have already surrendered comprehensively our economic sovereignty, now keep rapping us on the knuckles and try to pry Kashmir loose from the tentacles of the Indian army, the haughtiness of the Nehru-Gandhis could be largely held to be responsible for that development. A not insignificant share of the blame would however belong to the myopic communalists for whom Syama Prasad Mookerjee, partly on account of the manner of his death, became a kind of martyr-philosopher.

All that was in the lap of the future though. This compilation of diaries Mookerjee kept, some in English and some in Bengali (presented here in English translation), and some letters he wrote to the governor of Bengal and the viceroy of India, covers the period between 1939 and 1946, before his emergence as a full-fledged politician on the national scene. The diaries and letters have no particular literary merit, nor do they encompass any noteworthy reflections on contemporary political issues. Their interest lies elsewhere. Mookerjee fitted into the standard mould of pre-independence Indian politicians, whose preferences and prejudices were narrowly determined by sectarian and provincial considerations. Politics was the avocation of society's superstructure, and the diaries reveal the milieu of a Calcutta-based practitioner of the art who was, at about the time, endeavouring to make the grade from being a run-of-the-mill provincial politician to a leader of some national stature. In the case of Mookerjee, a further process of transition was at work. He had his early grounding in academic politics; his drifting into politics proper was a step-by-step externalisation of that role. The British were shrewd imperialists. Of course they took to the stratagem of divide and rule as a duck takes to water. But they also opted for a second device, the selective corruption of the indigenous gentry, ensuring for the latter a bad name. Two arenas which they opened up for native corruption were educational administration and local self-government. In the context of Bengal, the institutions selected for the respective purposes were the University of Calcutta and the Calcutta Corporation. The corporation was captured at its inception by the Congress party; it has remained a den of venality ever since. The University of Calcutta became the fief of Asutosh Mookerjee and his family. Syama Prasad Mookerjee, the second son of Sir Asutosh, was a man of academic credentials and had both ability and talent in ample proportions. The fact however remains that he inherited the university fiefdom, and the advantages flowing from it had the hallmark of unearned income. He became vice-chancellor of the university at a relatively young age and occupied that position for long years. Even after he stepped down, he remained the king-maker. As these diaries bear witness, the pettiest appointments in the university had to be cleared with him. His vexation with his successor, who was, to boot, a Muslim, was because the latter, how dared he, tried to initiate measures which cut athwart the doctrine of indisputability of Mookerjee's sacrosanct extra-constitutional status. Conforming to the standard practice in the 20s and 30s, Mookerjee started out as a Congress politician. But he soon had his problems. The Communal Award and the Government of India Act 1935 arrived. The Muslims constituted the majority of Bengal's population. Following the 1937 provincial assembly elections, for whatever reason the Congress high command did not give permission to Sarat Chandra Bose to form a coalition with the Krishak Praja Party leader, A K Fazlul Huq. Huq migrated to the Muslim League, which began, with great flourish, to rule the roast of provincial autonomy. Not altogether unreasonably, the League wanted a share of the educational pie, thereby entering into an antagonistic relationship with the Mookerjee family. Syama Prasad Mookerjee knew that the Congress, ostensibly still very much a party of nationalism and secularism, would have little heart to back him in his private battle against the League. He therefore travelled toward the direction of Vinayak Savarkar's Hindu Mahasabha; it was a bit like switching from one salon to another. These diaries provide interesting details as much of this phase in Mookerjee's political career as of the brittle nature of contemporary Bengal politics. As is only to be expected, there are several references to Subhas Chandra Bose and Sarat Chandra Bose and, less often, to B C Roy. Mookerjee's admiration of Subhas Bose as a person and as a brilliant mobiliser of mass emotion finds full expression in the diaries; so too does his immense dislike of what Mookerjee considered Bose's tactics of appeasing the Muslim leadership, exemplified in the manner he went about conducting Calcutta Corporation affairs. There is, predictably, strong condemnation of Mahatma Gandhi's dissembling stance following Subhas Bose's thumping victory in the Congress party's presidential elections in 1939. But this was not on account of any natural sympathy for radical stirrings within the Indian National Congress; it was Bengali chauvinism in full bloom.

By far the most interesting section of the diaries concerns the story of how Sarat Chandra Bose, in late 1941, succeeded in wooing A K Fazlul Huq away from the clutches of the Muslim League, and how he hammered out a broad-based so-called 'progressive coalition' consisting of Huq's followers, 'suspended' Congressmen (that is, those belonging to the provincial Congress committee controlled by the Bose brothers and suspended by the party high command, as opposed to *ad hoc* Congressmen, meaning those belonging to the provincial committee nominated, on an *ad hoc* basis, once more by the high command) and even Hindu Mahasabhaites like Syama Prasad Mookerjee. At that juncture, ideology was obviously most vaguely defined, and the ease with which politicians changed their party labels strongly suggests that the tribe of Bhajan Lals, Devi Lals and Bansi Lals are the most genuine legatees of India's political tradition. John Herbert, the Bengal governor, could not but swear in such a minis-

try, since it commanded a majority in the provincial assembly. But the proposed induction of Sarat Chandra Bose in the council of ministers, and that too in charge of the home department, was out of the question. He was therefore conveniently arrested under the Defence of India Rules and put away. His followers went into the government along with Huq and Mookerjee; Mookerjee was designated the finance minister. His diaries narrate in expansive detail the hollowness of so-called provincial autonomy: the ministers were little more than dummies; British civil servants, directly advising the governor and in turn directly advised by him, conducted the administration much according to their own whims. Apologists on behalf of the imperial rulers might argue that since a war was on, and the Japanese were knocking at Bengal's borders, no risk could be taken and ministers carried away by narrow patriotic emotions had to be restrained. Be that as it may, these diaries somewhat come to life while describing the tension that steadily built up on the issue. Matters were brought to a head by the wholesale arrest of Congress leaders in August 1942 and the subsequent mass upsurge all over the country. The Bengal ministers belonging to the 'progressive coalition' government watched helplessly as the police went on the rampage, picking up indiscriminately young men and women—amongst them Subhas Bose's devout followers as well as orthodox Congressmen—and indulging in horrendous repressive measures. The next grim sequel was the famine of 1943 which took the toll of five million lives. Bengal had a good crop that year and was by no means deficit in food in normal parlance. But the British panicked; they were worried that most of the harvest would fall into the hands of the advancing Japanese; orders were issued banning inter-district movement of food and boats were seized to enforce the ban. Public procurement, which could have been facilitated by the ban on inter-district movement, was never seriously tried: the civil servants perhaps did not care and the ministers, although they would not admit it even to themselves, were inexperienced.

Syama Prasad Mookerjee was perspicacious enough. He resigned in November 1942, and the progressive coalition ministry collapsed soon after. The Muslim League marched back into Writers' Building and was seen to be in charge at the time of the famine. That hardly cost them much in terms of future returns. Mookerjee had several caustic things to say though about the League's role and the role played by the British governor and senior civil service in messing up the famine administration.

The appendix to the volume carries the text of four letters, three to the governor of Bengal and one to the viceroy, written by Mookerjee on the eve of his resignation; it also includes the text of the statement he issued on the day he resigned. These are long—no question the politicians had time at their disposal then—and full of regulation fulminations against the inequities of foreign rule and foreign prescriptions. Such righteous indignation makes for bemused reading at the end of this half-century.

Up to a point, these diaries enlighten, but they are also frightening: they reveal the narrowness of the space an archetypal Indian politician's mind used to occupy in the pre-independence days.

Religion and Nationalism

Bidyut Chakrabarty

Utopias in Conflict: Religion and Nationalism in Modern India by A T Embree; Oxford University Press, Delhi, 1992; pp xii + 144, Rs 175.

DESPITE the availability of innumerable monographs on 'religion and nationalism in modern India', the subject does not seem exhausted ever primarily because of its relevance even to the present day. The freedom struggle which ended in the bifurcation of the subcontinent of India demonstrated the extent to which religious passion, genuine or otherwise, could be overplayed to attain the goal of Pakistan which, in fact, questioned the basis of the nationalist campaign itself. Politically, Jinnah's clamour for a separate state on the basis of 'the two nation theory' was probably justified; but the fact that the proposed Pakistan, divided internally on fundamental grounds, was untenable became true with its dismemberment in 1971 following the creation of Bangladesh. So, the 1971 division of Pakistan shows, *inter alia*, the fragility of the so-called unity based on religious homogeneity. In other words, the process contributing to or destroying a nation and nationhood appears more complex than we seem to think.

Religion projecting a particular 'world-view' is probably one of the significant forces cementing a bond among the otherwise disparate groups under a specific historical conjuncture. What is suggested here is that the same combination of forces may not work favourably at times and hence religion may not always be crucial in grasping the dynamics of a specific situation. Since there is not a strait-jacket formula in explaining the role of religion in politics in a transitional society like India what is therefore incumbent on a scholar striving to unfathom the complexity of the relationship is to take into account the socio-political and economic processes both in their spatial dimension and long-term perspective.

The book underlining the intimate interaction between religion and nationalism in modern India is a serious endeavour in this direction; therefore not only is the attempt thought-provoking, by raising new types of questions, the author has also added altogether new dimensions to the enquiry itself. Comprising articles already published, the book builds up an argument drawing on the complex interplay of factors influencing India's socio-economic and political development over the years. In order to "tie together in the thought the past, the present and the future" (p xi), the author considers "the formation of modern state of India" as an important event in the transformation of the world system. The statement underlining the significance of the emergence and firmness of the democratic political forces in the post-1947 India brings out the author's uncritical faith in the western liberal democracy. The argument therefore runs that despite the recrudescence of violence challenging the very basis of Indian democracy, the future of India as a democratic polity is well secure precisely because of the vibrant nature of the political institutions sustaining the appropriate value system. Given the elections at regular intervals, the argument seems viable and the effectiveness of the apparently well-entrenched political institutions in strengthening democracy is therefore well-demonstrated.

What is however problematic is the view that political institutions nourishing the democratic spirit in a people embedded in the so-called primordial value system failed to provide an effective alternative system of thought despite the triumph of modernisation in India, both during the freedom struggle and after. The author explains the failure of the political institutions in terms of 'utopias in conflict'. Although the term utopia has not been adequately spelt-out, Embree defines the concept as the aspired goal based on idealism. According to him, religion and nationalism provide two competing visions of just societies; conceptually, however, religious visions of the good society can never be coterminous with the nationalist one and hence the tensions which shape the social and political life of the people in question. The process thus unfolds, leads inexorably to conflict highlighting the two different world-views—one based on religion and the other on nationalism. Such a distinction, though purely analytic, may be misleading at times because 'religion and nationalism', as the author points out, "reinforce each other" (p 7) in every society more so

in a transitional society like India. In other words, since religion provided a ready-made structure of organisation across the subcontinent of India, nationalism appeared invincible in the anti-British campaign, and hence nationalism and religion were complementary to each other at one level, at another, religion and nationalism drawing on the respective world-views, paved the ground for conflict of massive proportions, evinced particularly during the Hindu-Muslim communal encounters What it thus reveals is the complex nature of the interaction between religion and nationalism which can never be understood merely by reference to 'utopias in conflict' Despite the apparent viability of the formulation, much of the intricacies of the dialogical network between religion and nationalism can therefore never be grasped, if not misjudged, in relation to the fast changing socio-economic and political reality So, what is necessary in this context is to focus on the interplay of factors and not on a single factor only

Although the introductory section of the book has so many loose ends it serves a useful intellectual purpose by striving to review the interaction between religion and politics in the changed scenario The author has a point when he argues that religion and politics continue to be decisive in the social and political life of the contemporary India despite India being secular The argument, thus made, hinges on familiar assumptions relating to the nature of India's secularism which entails both tolerance and coercion As a value of the Constitution, secularism is a highly cherished ideal championing equal respect for all religions In practice, however, secularism is nothing but *soft Hinduism* which appeared significant in the events following the demolition of the controversial Babri mosque in December last year Despite the irreparable damage the December episode caused, for many supporting the Hindu resurgence it was a struggle to establish Hindu cultural hegemony over society and to redress the historical humiliation of Hindus in the past The immediate outcome of such an engineered effort is the polarisation of communities and religion consolidating the divisions At one level, such a process is a threat to India's multi-cultural socio-political life, at another, it breeds and sustains hatred among the communities disrupting the highly cherished ideal of communal harmony in a society which suffered heavily in the wake of the 1947 partition So, whatever the merits of religion as an organising tool, its utilisation for specific political gains may lead to disastrous consequences The notion of 'utopia' has therefore to be handled carefully since it runs the risk of being manipulated to satisfy narrow political aims. Similarly, nationalism as an organising principle projects a world-view which may be interpreted differently depending on the circumstances. Offensive nationalism evinced during the fascist aggression, for instance, connotes a planned attack on the basic human existence and hence the utopia it puts forward is neither socially encouraging nor politically welcome, while defensive nationalism in the freedom struggle against the subjugating colonial power unfolds processes, considered significant for the advancement of human race as such This brief discussion shows that despite the analytical value of the concept 'utopia', its explanatory capacity depends a great deal on how it is utilised to articulate a specific situation So, Embree by underlining the importance of utopia as an intellectual category has revived the debate initiated by Karl Mannheim with the publication of *Ideology and Utopia* in the 1930s

For those not acquainted with the contemporary Indian reality the book serves a useful purpose Not only is the exercise an endeavour to apply a particular model of analysis it also provides a thorough account of what had happened in India in the last decade. Embree deserves appreciation for having collated relevant information to build his story which is at best a fantastic journalistic account The book, though dealing with more or less familiar events, is an eye-opener to many of us reluctant to see the extent to which religion and nationalism, as ideological principles, can be devastating under a favourable confluence of factors Apart from highlighting the probable consequences of specific kinds of world-views, the book also draws our attention to the continuity of historical waves over time. For example, Hindu-Muslim chasm which, *inter alia*, caused the 1947 division remains a crucial factor in India's socio-political life even today despite the high cost of the partition What is however new is the utilisation of such a well-entrenched schism for the creation of mutually inclusive vote-banks which are manipulated by the opinion makers to satisfy their preferred political aims The process, thus unleashed, will not only sustain the age old fissure between the communities for political dividends but also aggravate the situation further by linking the present with the past attributing 'a history' to communal disharmony Hence what began as a mere aberration of history becomes a part and parcel of India's socio cultural life Underlying this argument lies the assumption that communal schism is the product of a particular socio economic and political metamorphosis Despite the apparent validity of such a formulation, the argument appears slightly limited in scope given the recent researches showing that 'communalism is more a created than natural phenomenon' So though the compilation may not have provided a satisfactory explanatory scheme the exercise is commendable because it has drawn our attention to the major factors shaping the prevalent socio-economic and political life of India

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CREDIT LYONNAIS
BOMBAY BRANCH

(In thousands of Indian Rupees)

BALANCE SHEET AS AT MARCH 31, 1993

	NOTES	1993	1992
CAPITAL AND LIABILITIES			
Capital	2	156,492	156,492
Reserves and surplus	3	152,893	87,674
Deposits	4	3,009,158	2,575,438
Borrowings	5	994,949	51,248
Other liabilities and provisions	6	222,164	185,944
		4,535,656	3,056,796
ASSETS			
Cash and balances with Reserve Bank of India	7	210,672	857,066
Balances with banks and money at call and short notice	8	295,640	208,826
Investments	1(c) & 9	1,586,958	901,291
Advances	1(d) & 10	1,988,849	941,727
Fixed assets	1(e) & 11	8,633	8,465
Other assets	12	444,904	139,421
		4,535,656	3,056,796
Contingent liabilities	13	2,010,861	2,344,362
Bills for collection		28,150	7,900

The accompanying notes are an integral part of this statement

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1993

	NOTES	1993	1992
INCOME			
Interest earned	14	625,710	466,182
Other income	15	23,718	(6,121)
		649,428	460,061
EXPENDITURE			
Interest expended	16	353,178	288,106
Operating expenses	17	55,608	44,834
Provisions and contingencies		141,221	60,943
		550,007	393,883
PROFIT			
Net profit for the year	1(g)	99,421	66,178
Profit brought forward		65,516	31,813
		164,937	97,991
APPROPRIATIONS			
Transfer to statutory reserve	3	19,884	13,236
Remitted to Head Office		34,202	19,239
Balance carried forward	4	110,851	65,516
		164,937	97,991

The accompanying notes are an integral part of this statement

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Vijay Sahni
Partner

Credit Lyonnais
Bombay Branch

Sd
JM Giovannetti
General Manager

Bombay
June 7 1993

CREDIT LYONNAIS
BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(In thousands of Indian Rupees)

1. Summary of Significant Accounting Policies

(a) General
The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

(b) Transactions involving foreign exchange
(i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year.
(ii) Income and expenditure items have been translated at the exchange rates prevailing on the date of the transaction
(iii) Profit or loss on outstanding forward contracts have been accounted on an accrual basis

(c) Investments
Investments are valued at the lower of cost or market value.

(d) Advances
(i) Provision for doubtful advances have been made to the satisfaction of the auditors. The provision has been made based on management's estimates of potential exposure and taking into account guidelines issued by the Government of India and the Reserve Bank of India. The provision has been included under other liabilities and provisions.
(ii) Advances are shown net of bills rediscounted under the New Bill Market Scheme of Reserve Bank of India

(e) Fixed assets and depreciation
(i) Fixed assets have been accounted for at their historical cost.
(ii) Depreciation has been provided on the straight-line method at the following rates per annum:

Furniture and fixtures	10%
Computers	25%
Other equipment	20%
Vehicles	20%

(f) Staff benefits
The Bombay branch has entered into an Employees' Group Superannuation Scheme with Life Insurance Corporation of India ('LIC') for providing pension benefits to employees.

(g) Net profit
The net profit disclosed in the profit and loss account is after:
(i) provisions for taxes on income in accordance with statutory requirements
(ii) provision for doubtful advances
(iii) adjustments to the value of current investments.

	1993	1992
2. Capital		
Capital	156,492	156,492
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	27,500	12,500
3. Reserves and Surplus		
Statutory reserve		
Opening balance	22,158	8,922
Additions during the year	19,884	13,236
	42,042	22,158
Balance in profit and loss account	110,851	65,516
	152,893	87,674
4. Deposits		
In India		
Demand deposits		
From banks	299	204
From others	488,375	18,068
Savings bank deposits	6,210	3,408
Term deposits		
From banks	1,250,875	1,250,875
From others	1,263,399	1,302,883
	3,009,158	2,575,438
5. Borrowings		
In India		
Reserve Bank of India	60,481	51,248
Other banks	932,972	–
Outside India	1,496	–
	994,949	51,248
Secured borrowings included above	–	–

CREDIT LYONNAIS
BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(In thousands of Indian Rupees)

	1993	1992
6. Other Liabilities and Provisions		
Bills payable	107,677	71,483
Inter-office adjustments (net)	3,141	–
Interest accrued	28,890	33,969
Others (including provisions)	82,456	80,492
	222,164	185,944
7. Cash and Balances with Reserve Bank of India		
Cash in hand (including foreign currency notes)	916	1,046
Balances with Reserve Bank of India		
In current account	209,756	856,020
	210,672	857,066
8. Balances with Banks and Money at Call and Short Notice		
In India		
Balances with banks		
In current accounts	95,337	58,116
Money at call and short notice		
With banks	200,000	–
With other institutions	–	150,000
	295,337	208,116
Outside India		
In current accounts	303	710
	295,640	208,826
9. Investments		
In India		
Government securities	1,125,425	899,720
Other approved securities	4,033	1,571
Others	457,500	–
	1,586,958	901,291

	1993	1992
10. Advances		
(a) Bills purchased and discounted	192,538	522,587
Cash credits, overdrafts and loans repayable on demand	569,249	315,698
Term loans	1,227,062	103,442
	1,988,849	941,727
(b) Secured by tangible assets	852,207	200,754
Covered by bank/ Government guarantees	162,228	497,134
Unsecured	974,414	243,839
	1,988,849	941,727
(c) Advances in India		
Priority sectors	41,917	37,894
Public sector	50,000	–
Banks	136,092	416,646
Others	1,749,690	474,247
	1,977,699	928,787
Advances outside India		
Due from banks	5,702	12,161
Due from others		
Bills purchased and discounted	5,448	725
Others	–	54
	11,150	12,940
	1,988,849	941,727
11. Fixed Assets		
Other than premises (including furniture and fixtures)		
Cost-beginning of year	13,068	11,067
Additions during the year	3,188	2,007
Deductions during the year	(198)	(6)
	16,058	13,068
Depreciation to date	(7,425)	(4,603)
	8,633	8,465
12. Other Assets		
Inter-office adjustments (net)	–	5,074
Interest accrued	178,510	32,409
Tax paid in advance/tax deducted at source, net	9,526	6,507
Others	256,868	95,431
	444,904	139,421

CREDIT LYONNAIS
BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(In thousands of Indian Rupees)

	1993	1992
13 Contingent Liabilities		
Liability on account of outstanding forward exchange contracts	654,267	572,111
Guarantees given on behalf of constituents		
In India	407,871	817,151
Outside India	240,420	189,463
Acceptances endorsements and other obligations	215,503	198,404
Bills of exchange rediscounted	180,000	311,000
Underwriting commitments	312,780	256,233
	2,010,861	2,344,362
14 Interest Earned		
Interest/discount on advances/bills	344,837	232,643
Income on investments	172,980	132,100
Interest on balances with Reserve Bank of India and other inter bank funds	107,893	101,439
	625,710	466,182
15 Other Income		
Commission, exchange and brokerage	17 626	7,021
Profit on sale of investments	4,314	32,193
Less Loss on sale of investments	(10,152)	(52,838)
Profit on exchange transactions	32,059	22,348
Less Loss on exchange transactions	(23 457)	(17,520)
Miscellaneous income	3,328	2,675
	23,718	(6,121)

	1993	1992
16 Interest Expended		
Interest on deposits	257,372	212,217
Interest on Reserve Bank of India/ inter bank borrowings	51,593	8,095
Others	44,213	67,794
	353,178	288,106
17 Operating Expenses		
Payments to and provisions for employees	11,554	8,749
Rent, taxes and lighting	4,015	1,968
Printing and stationery	1 316	892
Advertisement and publicity	623	537
Depreciation on bank's property	2,870	2,322
Directors' fees, allowances and expenses	44	79
Auditors' fees and expenses	129	108
Law charges	32	143
Postage, telegrams, telephones, etc	4,147	3,359
Repairs and maintenance	796	920
Insurance	1,075	1,004
Other expenditure, including Head Office expenses - Rs 16,520 (previous year Rs 13,108)	29,007	24,753
	55,608	44,834

18 Prior Year Comparatives

Prior year amounts have been reclassified wherever necessary to conform to the current year's presentation

CREDIT LYONNAIS
BOMBAY BRANCH

Auditors Report on the Financial Statements under Section 30 of the Banking Regulation Act, 1949

We have examined the balance sheet of the Bombay Branch of Credit Lyonnais (incorporated in France with limited liability) as at March 31, 1993 and the related profit and loss account for the year then ended Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances We have also obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination and have found them to be satisfactory

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, and the provisions of sub sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI to the Companies Act, 1956 The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Bombay Branch of Credit Lyonnais as at March 31, 1993 and of its profit for the year then ended

Furthermore, in our opinion,

(a) the transactions of the Bombay Branch which have come to our notice have been within the powers of the Bombay Branch of Credit Lyonnais

(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act, 1956 in the manner so required for banking companies, and

(c) the Bombay Branch has maintained proper books of account as required by law insofar as appears from our examination of those books

Arthur Andersen & Associates
Chartered Accountants
Sd/-
Vijay Sahni
Partner

Bombay
June 7 1993

'Dying Hindus'

Production of Hindu Communal Common Sense in Early 20th Century Bengal

Pradip Kumar Datta

The discursive power of Hindu communalism does not spring exclusively from single texts or even a chain of them as from the swift creation of a popular network of certain tropes themes, structures of apprehension and reform, at the heart of which functions a single mobile trope to provide the necessary ideological orientation This produces a formation of immense potency and amazing flexibility For it constantly accretes new meanings, whole traditions to itself producing from its formative moment a web of thought that ranges from stereotypes to statistical and sociological analysis

ONE of the first markers of difference between Hindu and 'Muslim I learned as a child, was the 'fact' that Muslims married four times I did not question this assertion, not even when, many decades later during the Muslim Women's Bill agitation, Hindu communalists cited it as a privilege that was sought to be protected by the Muslim community as a whole Though now the venom with which it was invoked made me a little uncomfortable. A few years later, my credulity was rewarded with a grim retribution While investigating a riot one of the many that the Ram Janmabhoomi agitation has produced a key characterisation of the Muslims that was made to us, by all shades of fighters for the Hindu 'cause', was their alleged marital excesses It was claimed that this allowed them to proliferate in numbers, hence it would be a matter of time before they overran the country The 'fact' that I had learned innocently', now revealed paranoia and violence Yet its projection seemed unimaginably remote. Where then did the intensity of this fear come from? Was this, I wondered, something that was dormant, that what we were hearing today was a trace, which was being bloated to produce yet another story of mangled bodies and torn minds But in that event, could the trace be made to reveal the power of a past deposit? Together with the nature of the formation?

Inspecting the shelves of the library I was struck by the title of a publication of the Hindu Mahasabha called, *They Count Their Gains—We Calculate Our Losses* which had come out in 1979 The foreword said that the title was taken from a statement of Bhai Parmanand, the book itself tried to raise a scare of the rising population of Muslims and Christians [1] Soon I discovered evidence from an earlier period Writing to Malaviya about his impressions of a talk with a British statesman aboard a ship sometime during the communally charged period of the mid 20s, Lajpat Rai reported the following "The chief hope [of the British] seemed to have so far been on the chance of thinning their [the Hindus'] numbers with a view eventually to make them politically impotent"[2] Whether this was accurate was not my interest, it was only a step in confirming the preoccupation with Hindu numbers in the mind of one who was engaged in trying to produce a Hindu constituency A more decisive fact followed in the tracks of the last in 1925, Swami Shraddhanand had declared in the course of a speech in Patna, that he had been seized by the problem of the dying out of the Hindu 'race' after reading a book by one U N Mukherji entitled, *Hindus A Dying Race* [3] Later I learned that it was as early as 1912 that Mukherji had actually met Shraddhanand, to convince him of his thesis,[4] Mukherji's own book had been published three years earlier, in 1909 Another surprise awaited me the quotation so authoritatively attributed to Parmanand actually formed one of the concluding lines of Mukherji's text This was not simply a case of the discourse outliving the author What I was confronted with was a text that had become common sense', repeating as it circulated across this century, an antagonistic notion of communal relations, while it accreted to itself new contexts and meanings and established different tonalities of estrangement

But it was more than simply the tenacity of this preoccupation that aroused my interest What was at stake was an understanding of one of the primary sources of communal power its ability to perpetually renew itself through the reiteration of stereotypes without necessarily sounding repetitive What is more, although the relationship between different, stereotypical 'observations' seemed random, as say, the juxtaposition of Muslim fertility with their alleged proclivities towards violence, the fact of their mutual proximity ultimately defined them as part of a network of meanings They tended to create a disposition, which complemented an ideological 'line', without appearing to be ideologically interested Their authority lay precisely in the assumption that they were common truth a product of social 'good sense'

Hindu communal thinking around the census seemed a good entry point into this perplexing and powerful web of banalities, whose operations remained nonetheless opaque. For one this could be traced to an author, more pertinently, *Hindus—A Dying Race* (hereafter ADR)[5] dealt with a vast range of subjects and themes, including ideas of fertility, economics, organisation, the body, space, drawing at the same time on the disciplines of Sociology, Philosophy and History amongst others Mukherji provided the spaciousness of a world view that could lend itself to growth and consolidation Equally important for my purposes was the way a vast constellation of significations created itself through processes of association displacement observation and analysis this text offered the first large window on the logic of the seemingly random selection of stereotypes Further, the way its theme was taken up by other texts, which improvised their own meanings, often aligning it to changed preoccupations the process by which its origins in texts produced by individuals gave way to more organised mediations, its conversion into oral communication, the fact that the concern with declining numbers of Hindus was provided with different positions of importance, from occupying the place of the central problem to being included as a rhetorical appendages even as it was being coupled with other anxieties which, by the end of my period of study, displaced the focus of in

terest onto themselves: all this pointed to the emergence of a 'common sense', which could cut across disparate concerns and institutional formations. In effect, it offered an opportunity to study a peculiarly polysemic and polymorphic discourse, the growth of which depended on both its inner logic and on a multiplicity of extra—discursive happenings.

Given its location amongst heterogenous voices, the common sense around the census also raised the question as to whether all varieties of discourse that had the 'Hindus' as their reference point, were communal. A recent study by Papia Chakravarty[6] has assumed that all strands of Hindu 'self-strengthening', including the pronouncedly communal assertions of U N Mukherji, went into the making of a single Hindu identity. This begs important questions: how was, for instance, Vivekananda's ideas of Hindu reform, which are not energised by communal imperatives, appropriated by thinkers like Mukherji? This linked itself to another question: the vitality of the process in which a range of concerns were made to intersect at the 'census', raised questions about the responsibility of colonialism. Did the categories of the census provide the formative discourse that built the communal prison which we continue to inhabit?

II

In his remarkably perceptive essay, Kenneth Jones sums up the decisive effects of the census, as: 'Religions became communities mapped, counted, and above all compared with other religious communities.'[7] However Jones belies expectations by going on to simply describe how the formation of Hindu identity is preoccupied throughout its career with the census; although the logical move would have been to consider its momentous significance for communalism. The evidence for such a reading, it may be added, is overwhelming. H H Risley, home secretary, government of India, who proposed the partition of Bengal in 1903, for instance, is as frankly excited as a bookie at a horse race, when he declares: "Can the figures of the last census be regarded in any sense the forerunner of an Islamic or Christian revival which will threaten the citadel of Hinduism or will Hinduism hold its own in the future as it has done through the long ages of the past?"[8] Risley's comments were overdetermined by the 'calculations' made by O'Donnell, the census commissioner for 1891, who on the basis of slower growth rates of Hindus relative to the Muslims, leapfrogged across simple statistical logic to deduce the number of years it would take for the Hindus to disappear altogether! Even as late as the 1911 census, when it had become absolutely transparent that such speculations could arouse tremendous communal antagonism, observations to the same effect were reiterated.[9]

A year before this, an even more blatant act of colonial engineering was proposed. E A Gait, the census commissioner, passed a circular proposing five 'tests' to discover who was a Hindu, even if the person/s concerned subscribed to this nomenclature. This involved a questionnaire that would basically make a fourfold query: whether, the would-be respondents, worshipped the 'great Hindu gods', were allowed entry into temples and offerings to the shrine; if the brahmins who administered to them were 'degraded' or even recognised as brahmins by their supposed caste members, and what was the status of the respondents regarding untouchability. Obviously there was a tremendous analytic acumen at work here, since the questions were designed to confirm both brahmanical exclusiveness, as well as low caste anger. Given the upper caste character of the leaders of the Swadeshi movement, this 'test' was designed to encourage the detachment of low castes from the 'Hindu' category, reducing the numbers on whose behalf the upper castes claimed to speak. Horrified, Mukherji observes in *Hinduism and the Coming Census* (hereafter *HCC*), written as a response to this challenge: "It will break into two communities those that hitherto had been regarded as one".[10]

Such evidence, by itself, argues for a Pavlovian relationship between communalism and the colonial dispensation. It hammers in the 'truths' of Said. But it also encourages a circularity of argumentation that confines all potential enquiries within the limits of critiquing colonial power-knowledge. Other questions remain unasked. Could, for instance, colonial classifications be regarded as origins or as renewal and reaccentuation? Lucy Carroll has made a distinction between caste associations that sprang up to claim privileges before each census, rapidly withering away thereafter and those which, in their more permanent and evolving history, testified both to more long-standing sources of collective aspirations, as well as their shaping by colonial classifications.[11] Without elaborating the obvious answers as to whether there existed 'Hindu'/'Muslim' identities prior to colonialism, it may be observed that the census explains the stabilisation of these identities around new orientations (of the sort mentioned by Jones), backed up by institutional 'facilities' such as reserved educational and employment quotas. But it does not explain much of what the texts discussed below, revealed: how, for instance, were relations of untouchability tackled by upper caste representatives, especially the communalists. Or, how the 'common sense' around the census was coextensive with the development of a world-view grounded in communal stereotypes. For it soon became clear that it was not an anthropologised history of collective affiliations one was confronted with, a stable, collective self that was inherited either from an unchanging past or from a power-knowledge formation, but an unfamiliar ideological terrain that retained its marks of apparently improvised and dislocated growth.

All this cannot be explained in terms of its colonial origins alone. The 'origins' require location within a broader process of identity formation. Recently, Gyanendra Pandey has made such an effort, but his thesis remains moored to a notion of discrete communities, being (mis)represented in the discourses of those who control the powers of disseminating their representations. Pandey's efforts are directed towards uncovering the 'truth' of these separate communities, an enterprise that tends to assume that communalism is the effect of (power-laden) prejudices alone.[12] This does not explain the process by which an ideological unity of different identities is sought to be erected through communalism, nor the vulnerabilities that it reveals. An understanding for which one of the possibilities could be to look upon it as a discursive area that is fraught with inner tensions; in which the claims of other collectivities—which are themselves wrestling with inner schisms—are sought to be either reoriented, displaced or actively opposed; which are reshaped by the logic of events and the relationships with 'others'. In short, to understand it in its twin movement towards stabilisation and dispersal.

III

The *ADR* gestured at its later importance by producing a fair amount of success and controversy on its appearance. It was serialised in the *Bengalee* during the month of June in 1909, a period that saw this newspaper in a communal temper.[13] It was published twice as a book in 1910 sold at a price of 4as, which for its English language readership was very affordable. The author followed this up by writing *HCC*, a Bengali translation of which he distributed 25,000 copies free of cost. Another 25,000 copies of a modified Bengali version of *ADR* called *Hindu Samaj* was also distributed free.[14] Mukherji's thesis was criticised, most notably by Sakharam Ganesh Deuskar, a major extremist leader, whose reply we will consider later. But bigger fears dispelled these attacks. On the one hand was Ameer Ali's petition on behalf of the London branch of the All India Muslim league, made in the context of the Morley-

Minto reforms of 1909,[15] that called upon the authorities to effectively detach the lower castes as a bloc from the Hindu category; on the other, increasing demands were being made by influential sections of the so-called backward castes for autonomous and preferential consideration.[16] Moreover, the debate on the census was acquiring nationwide importance since it seized communally disposed leaders of the Punjab as well.[17] It was therefore a sign of the times that Mukherji's investment was rewarded by an invitation to guide, the specially constituted 'Social Conference' of the Provincial Congress in 1911.[18]

Given the importance of *ADR*, it would be useful to start with a brief summary. Mukherji develops his argument by comparing a monolithic Hindu society with equally singular conceptions of Muslim and English societies. Proceeding from O'Donnells' warning, he asserts that the fundamental cause for the decline of Hindu numbers was because their peasantry was poor. Further, Hindu influence on village life was also declining because of the shrinking power of the mahajans. Conversely, the Muslim peasant was becoming wealthier and buying up land. In Calcutta too, the labour market and petty artisanal enterprises were being taken over by immigrants, since Hindus (implying Bengali ones) were prevented by caste rules from changing their inherited occupations and competing with them. Muslim immigrants were religious, hard-working, and ate well; Hindu low castes drank liquor, were unkempt and lazy. Mukherji then contrasts England with Hindu society. The latter was characterised by immense gradations of caste; shared occasions like the Durga puja served to emphasise caste divisions since the low castes were kept at a distance. This state of affairs remained unregenerate, because upper castes were either actively complicit or simply disinterested. On the other hand, social classes in England were bonded by the same feelings on common occasions such as those provided by sports, defence requirements and church activities: an ability that accounted for the overwhelming organisational power then society possessed. Islam too had produced a sense of commonness through masjid congregations. As a matter of fact, their reform movements of the 19th century were responsible for both their wealth as well as their unity under British rule. Hindus, however, faced disaster from three sources: Morley's equivocating reply to Ameer Ali's petition;[19] the pulverisation of Bengali industry by the British; and now, dispossession of land by Muslims. The cause of their helplessness, Mukherji reiterates, lay in caste exclusivism.

Why is English society given such prominence in this argument? And what does this imply for the conception of Muslims? In England, Mukherji argues, the combined effects of the various institutions produces a common relationship with the self; thus, although a person may think of himself as an individual, "as a matter of fact he is a [*sic*] unit and generally a very intelligent unit of a huge organisation where everyone, irrespective of rank or class, has a common idea and a common object". The result is an awesome prospect, epitomised by English industry: "Here Indians had to hold their ground against a set of men who after hundreds of years of work and experience had reduced the art of making money into something like an exact science, men in possession of every possible information... carefully weighed, sifted and tabulated, with all the advantages that capital and combination could secure..." The tone is lyrical; possessive. Figures of completion abound: 'hundreds of years', 'exact', 'every', 'all'. The rhetoric is frankly grounded in the idea of British superiority, which in the 19th century the moderates had assumed would be beneficial for the development of their own society. But here it carries other resonances. The English maybe a model, but the lyricism also confesses the impossibility of attaining it. Hindus cannot match the investment in competitive time, nor command a comparable volume of knowledge. Desire is shrouded in disenchantment.

The disenchantment was unavoidable, for in the years preceding 1909, the prospect of rivalling British industry (in addition to elements of its administrative machinery, such as Swadeshi arbitration courts providing an alternative to the judiciary) had enthused the Swadeshi movement; but by 1908, it was becoming apparent that all these initiatives were collapsing.[20] But nationalism had not lost its pride, nor the sense of outrage. Mukherji's concluding lines in the passage cited above runs: "If ever there was an unequal fight it was this." The Swadeshi movement had left anger in addition to disenchantment—making it doubly impossible to regard the English as a model.

But the shutting out of one possibility opens another: "There is nothing in the laws that specially affects the Hindus unfavourably", Mukherji states, adding: "The superiority of the...Mohammedans is entirely due to their religious revival and systematic moral training..." Of course Mukherji does not specify how the Muslims had suffered under colonialism to make their condition comparable (this could conceivably spoil the argument by arousing sympathy for them); but also, Muslims *need* to remain superior, since the argument demands they be a viable model for emulation. The insistence on this allows Mukherji to tap the resources of another discourse. Muslim superiority stems from religion, a sphere that was 'guaranteed' by Queen Victoria's Proclamation of 1858 (and referred to by all parties as a kind of Directive Principle), to be autonomous of the administration. Tagore had already drawn a distinction between 'rashtra' (state) and 'samaj' (society), finding in the latter a province that allowed independent initiatives; recent work suggests that such a structure of thinking was present even earlier.[21] The Islamic reform movements allow an opportunity to recast this aspiration for self-strengthening in a space independent of the state via its reinscription in this image of a triumphant Muslim society. And Mukherji spares no efforts in making this image vivid. The locus of this renaissance is the village masjid, cared for by the 'mollah', who, though learned, belongs to the same background as his congregation which has the power to elect him. Every Friday, prayers are followed by a 'waz' or sermon which consists of: "simple morality, simply told". All this—it is reiterated—is done independently, without any central organisation, state help, obligatory payments or church laws. Above all, the greatest contribution of the reform movement, it appears from this representation, seems to lie in producing the drive to self-organisation.

Mukherji skirts the borders of stereotyping here: the notion of Islamic 'fanaticism' is as old as the Renaissance, and it is no coincidence that this formulation about Islamic reform in Bengal is derived from the famous passage in Hunter's history, which our author approvingly cites.[22] But it would be self-defeating for Mukherji to identify his argument with the stereotypical, for the latter denotes final ontological conditions. His aim is change through emulation of the other; and this involves self-reform. Mukherji thus carries out a more subtle exercise, throughout the course of his argument: appropriating the weight of antagonism that stereotypes offer, while orienting these to the object of reform. Such negotiation is evident from the onset of the self-critique. Mukherji asserts from his 'observations' that the cause of Muslim proliferation lies in the desire of Hindu widows for Muslim males. This is a radically new departure from late 19th century discourses on the Hindu female which had idealised the notion of inviolate chastity.[23] Moreover Mukherji's 'fact' pulls a constellation of discourses around it. There is the centuries-long image of the sexually powerful Muslim male; which in colonial Bengal is tied to the internalised

British stereotype of the white Bengali Hindu male.[24] However, the very unresolvability of the dialectic between desire, resentment and anxiety that these stereotypes produce, is sought to be redeemed by shifting its burden on to the supposed desire of the Hindu widow. A special connection between the Muslim and the Hindu widow had already been established and publicised during the Jamalpur riots of 1906.[25] But the focus then had been on the abduction of widows; the fault lay solely in Muslim aggressiveness. On the other hand, by making the widows culpable for the connection, Mukherji taps the legacies of guilt, fear and humanitarian concern which the 19th century Hindu proponents of widow remarriage had tried to arouse.[26] Viewed from this frame, to resolve the problem of widowed desire would also settle a larger assortment of more recognisably male dilemmas.

"After Ceres come Venus" the epigrammatic style hurls the argument from one point to the next, allowing it to amass a wealth of discursive associations, but not providing space to interrogate the series of displacements. Resonances of 19th century reformist discourse are utilised to reorient the argument to the different possibility of economic reform. The fatal desire of widows is explained by Hindu peasant poverty. This is so, Mukherji asserts, because Hindu males cannot afford to remarry, in turn producing larger numbers of unsatisfied widows. Conversely, Muslim wealth gives to them a 'superior physique'. It may be noted that by blending the sexual into the economic, Mukherji is enabled to harness the anxious energy of stereotypes to a condition, which, since the drain of wealth theory, had been recognised as man made.

The Muslim is saddled with a double burden. By surrounding his figure with a plethora of discourses, this text aspires to make suspicion of the Muslim a key structuring principle of existence itself, by the same token, to defeat their silent machinations promises to resolve far reaching problems. The encoding of hopeful expectation within fear provides a powerful world view. Not only can it hold the anxieties of established discourses, but it is made to absorb more immediately political and social challenges.

Let me begin with one already touched upon, namely, the utility of the Muslim in providing a release from the cul de sac scenario at the end of the Swadeshi movement. Concerns that were integral to it such as economic self reliance, the cultivation of the body, organisation through faith, can now be conjured up through encounter with this new enemy. Though the Muslim represents an attenuated space for these initiatives, for that very reason, it becomes even more important to cling to. Secondly, there is the problem of a shift in the regional composition of Calcutta's population, which Mukherji is among the first to underline, it later becomes a major preoccupation with Sir P C Ray. From Mukherji's figures (which show that the population profile of Calcutta has one Bengali Hindu to 25 Bengali Muslims and about 100 upcountrymen, without including the Chinese, Marwaris, etc), it is clear that Muslims form only a part of the overall deluge.[27] Yet precisely because the particular section is left hanging here, the chauvinistic anxiety produced by the prospect of the political and cultural capital of Bengal becoming non Bengali, is relocated in the Muslims who, needless to add, are seen as the heart of a general danger. This of course, involves the removal of distinction between Bengalis and non-Bengalis. Finally, and most significantly, the Hindus' condition is signified overwhelmingly by the low castes. This has much larger consequences than the relatively straightforward one of displacement. It needs separate consideration.

IV

Mukherji's representation of the low caste condition is one of unmitigated degradation. It acts as the ever present inversion of the idealised Muslim. Consider the following description of the low caste bagdi, which is typical. "He is poor, eternally poor. He is lazy, thriftless, unreliable. Hope, ambition, self respect, self reliance have no meaning for him, and things have been like this ever since he has been a bagdi." Further: "There is no object for which they can unite." The subjectivity attributed to them by Mukherji is not one that is conducive to unity. Quite logically, they cannot resist the hegemony of the brahmin from which flows the strictures on untouchability. Low caste movements for self assertion in which Mukherji includes Vaishnavism, the Charak festival, sects such as the Kartabhajas and caste association movements are either absorbed by brahmins, which results in the internal decay of their initial aims or they assert superiority over others increasing the centrifugal tendency amongst themselves.

Certain assertions stick out like sore thumbs in this portrayal most notably, the one relating to the evaluation of caste association movements. Since they cannot be said to have been appropriated by brahminism, Mukherji dismisses them for militating against Hindu unity. He does not consider their improvement ideology, their growing prosperity and a commitment to combination, or anti brahminism (all of which characterise the powerful Namasudra movement, for instance).[28] From where does the driving necessity to create this, negative, dependent image of the low castes spring?

An obvious explanation is that it saves Mukherji from having to contrast the upper castes with the Muslims, a framework—given the visible social and economic privileges of the former— would have made it impossible for Mukherji to substantiate the master metaphor of impending death. Even though, it may be observed, this trope is crucial (its importance being expressed in becoming an accepted feature of Hindu communal rhetoric). The threat of demographic deductions involved far reaching changes in the oppurtunities that the colonial administration offered for the different castes. For the first time since the birth of the Bengali Hindu colonial middle class, there was a decisive and immediate threat to their hegemony. By absenting them as an index to the Hindu condition, Mukherji allows the threat to privilege to be presented as the plight of the oppressed.[29] But this conceals another displacement. The Swadeshi movement had failed to galvanise the low castes, in the case of powerful caste bodies such as the Namasudras, there had even been proclamations of loyalism.[30] By drawing an absolute, inverse relationship between the Muslim and the lower castes, he can both shift the anxiety caused by the former, and recreate the lower orders as an object of paternal concern, at a time when this was under strain.

By doing this, Mukherji also alters the discourse on reform of the low castes, which had been established by Vivekananda. For the latter, upper caste paternalism was necessitated by a combination of fear of low caste rebellion against the authority of the upper, as well as an humanitarian commitment. For Mukherji the problem of low caste breakaway could not be admitted, precisely because the problem was now manifest. But the overall situation presented space for another possibility, to which his discourse could be productively aligned. The relationship between the Muslim and the low castes held complicated possibilities. Prospects for an alliance were counterbalanced by indications of antagonism that became pronounced in the years immediately following the publication of this pamphlet.[31] Obviously, Mukherji's framework of antagonistic comparison was designed to encourage the growth of the second tendency. However this by itself, is not sufficient: the antagonism with the Muslim need not necessarily lead to the 'Hinduisation' of the low castes. It is to fill this lacuna that the brahmin enters apportioned the burden of humanitarian concern.

In the fifth section of the book, Mukherji identifies six broad caste clus-

ters. The common index by which their hierarchy is mapped out, is the manner in which different groups relate to brahmins: the latter then are given the status of a structuring principle. Obviously, this corresponds to their hegemonic position, although Mukherji characterises it in negative terms: "He [the brahmin] claims superiority over all, but admits of no obligation or duty towards any." Significantly, Mukherji does not contest the proclamation of superiority, but the inability to support it. Though this is couched in terms of mutual obligations, the issue is one of power: the brahmins need self-reform to save Hindu society from dismemberment--which includes their superior social position in it.

Talking of the reasons why Hindus do not meet together, Mukherji observes that when a low caste meets a brahmin, he does a 'dandabat', that is, prostrates himself "like a log of wood—not like a human being."; at sites of common festivities, a stray dog is treated better than a Hari or Dom if they happen to enter. Mukherji bemoans the resultant lack of self-respect that the low castes imbibe, which provides an explanation for their allegedly immoral culture and lack of subjective motivation. Underpinning this pronouncement is the presumption that brahmins determine their self-image. However the brahmins are themselves victims of minute and rigid intra-caste discriminations, being divided by region, and by sub-classifications such as 'gotras', 'mel' and 'sanatan'. For the brahmins, unity is as imperative as it is for other groups.

Brahmins had a special status in Bengal, since there were no intermediate varna caste between them and the shudras who occupied the lowest rung in this order of ranking [32]—which is a possible explanation for the importance given to them in many schemes for constructing alternate Hindu societies. Mukherji's positioning of the brahmin draws from two discourses around them. On one hand was the reformist project of Vivekananda, which argued that since brahminhood was an ideal, the ultimate goal of Hindu society ought to be the raising up of all castes to the status of brahmins.[33] On the other hand were the turn-of-the-century revivalists, including figures such as Satishchandra Mukherji and Rabindranath Tagore (who briefly went through this phase) called for the maintenance of the caste system and appointment of brahmins as "disinterested intellectual leaders".[34] Mukherji follows Vivekananda in privileging brahmins as educators, but differs from the latter by concentrating exclusively on this aspect. Again, in the emphasis on brahmanical self-reform as a prelude to Hindu reform, he draws upon Vivekananda's orientation. But there is a subtle negotiation involved. Brahmins are urged to educate all castes in order to uphold their inherited privileges: effectively, what is offered to the brahmins as compensation for the loss in social prestige (by giving up discriminatory practices in social relationships), is a much broader vista of hegemonising Hindu low castes directly, making brahminism itself a supra-caste ideology, without entailing the loss of caste identity. A reformulation of revivalism is delicately suggested.

The inherent conservatism of this project regulates the outlines of Mukherji's overriding objectives, which is expressed in rhetoric that tends to posture a little. For instance, a key requirement, which is again inherited from Vivekananda, is that of egalitarianism. And with his mentor, Mukherji shares the attenuated definition of egalitarianism as basically denoting the suspension of untouchability. In the earlier project, it arises from a sense of expediency (to avoid the prospect of low caste revolution and possible breakaway), as well as righteous anger against their treatment. However, Mukherji shrinks the meaning of egalitarianism further, by making it a purely functional precondition for brahmins to teach the low castes, and by denuding it of the quality of indignation.

It may be remarked that the proposal to educate the low castes by the brahmins originates from Vivekananda again. The word that Mukherji uses, however, is 'training': implying a pedagogy that is more applied, technical. More than anything else, it carries the implication that the object of attention is 'character': "A trained man is superior to a man who is not trained", declares Mukherji. In other words, justifying the production of a common personality (since the training programme is obviously deemed to be common) on grounds of efficiency. But the tropes of subjectivity also imply the conversion of a mechanical social organisation into an organism, seeking to create an inter-connectedness that is intimate without surrendering the idea of instrumentality. Further, Mukherji uses the figure of the body to establish a comprehensive ellision between the 'personal' and 'social'. Castes are chastised, for instance, since each is a 'self-contained body'. Given the framework of the weak Hindu confronted by the unremitting antagonism of the immediate and overwhelming power of Muslim personality and more remotely, the British, it follows that Hindus must develop a larger, unified personality.

It will be recalled that we started with egalitarianism: we can now see that it is premised on a necessary inequality with others, accrued as a consequence of a failure of subjectivity (in being broken and disunited), rather than of a difference in social opportunities. Egalitarianism then indicates the overriding necessity to constitute a sameness of subjectivity. Incidentally, for Mukherji, this does not signify the obliteration of individuality: on the contrary, strong self-respecting individuals, as Muslim and English societies indicate, are necessary as 'intelligent units' to power the social machine. The ultimate lyrical prospect is however the German 'Volkschule', defined in a later pamphlet entitled *Hindu Samaj* (hereafter *HS*),[35] as an education system which compulsorily removes "difference between untouchable or respectable, rich or poor amongst the boys and girls...[since they possess] the same book, the same education, the same rules".

However, the idealisation of egalitarianism as sameness, is modified in this pamphlet. There is a reinscription of the England of *ADR*. The main feature of English society represented here, is its loose educational system, which allows for the differences of denominational education, is held to be more relevant. This goes together with the discovery of a distinctively brahmanical educational institution. The 'tol' (shorn of its brahmanical exclusiveness) is advocated, not only because it has maintained traditional learning at the cost of great self-sacrifice on the part of brahmins, but more importantly, in view of its relevance for modern conditions, that had apparently been proved by its adoption in England as the bell system.[36] It can be argued that the alterations in *HS* are necessitated by the limitations of *ADR's* prescriptions, in producing a Hindu society. But the haste with which these proposals are displayed (*HS* was published in 1910, only a year and a half after *ADR*) testifies to the urgency produced by a circular released by E A Gait, the census commissioner, which dramatically and perilously posed the question, who is a Hindu.

ADR makes engrossing reading. The line of argumentation flows, one cause leading seductively into another, the whole being packaged by a ringing, epigrammatic style. One forgets that at important points, Mukherji avoids mentioning established explanations, such as, the determining role that upper caste customs play in preventing widow remarriage. The economic explanation of Hindu poverty that is offered in its place is, in turn, stripped of questions such as redistributing land and tenancy reforms, and propped up on simple personal observation alone. Economic conditions are regarded as a matter of individual motivations (much in the style of conservative Victorian social thinkers, assuming as they do, that opportunities are equal for everyone), the energies for which are located in religious reform.

This brief recapitulation suggests that Mukherji could easily have jumped from his initial diagnosis of a dying Hindu community to his concluding position, without going through the intermediate steps: a religious community self-definitionally requires religious revival to resuscitate it. But in that event, a world-view would not have been produced. As I have shown, the flexibility of the argument allows it, like a magnet passing through metal filings, to draw various kinds of discourses, which had become part of the common sense of the Swadeshi movement, into another seemingly coherent stream of argumentation, so that another world-view can be produced, fattening itself on traces of older ones. An identity then emerges, not as simple nomenclature alone, but as a many faceted 'world', where the network of causality is comprehensive enough to link, for instance, economic problems with those of religious reform.

This is accomplished moreover without surrendering the major source of popular energy for the production of such communities, that is of stereotypes. We have seen how the model of inverted characteristics exacerbates the load of anxiety, while the careful avoidance of ontological fixity paves a credible path for the corresponding desire to fulfil itself. But this does not move the vision away from the parameters of stereotypes. In fact it makes them sophisticated, enlarges them so that they can contain a world-view. Ultimately, *ADR* leaves the reader with a pictorial evocation: a dying (low caste) Hindu, self-divided and physically weak, surrounded by an already overwhelming and progressively expanding presence of the Muslim, who in their self-engineered growth, suck out the life-blood of their rivals. A contest between two bodies, two personalities, two societies; each with a history, together with a corresponding explanation for their conditions.

All in all this is a neat edifice, that rests on the assumption that there was time for a single Hindu society to be produced through reform. By 1910 however this luxury was over. Mukherji's response to the Gait circular was one of desperation. *HCC* disavows the imperative of a mechanical Hindu organisation, that presupposes a singular collective identity. Here Hinduism is defined as a system that possesses 'belief without authority'. The relationship with the Other (which is represented here by Christianity, since Mukherji's aim is to convince the authorities with instances familiar to them), is now one of the differences that should not be bridged. For, although Christianity is divided into sects and schools, they are united by a common belief in the "idea of authority-claiming supremacy imposing restrictions issuing licence..." On the other hand, Hinduism is not only heterogeneous, but also valorises its plurality.[37] In other words Mukherji here affirms the *status quo*. Hinduism is in fact portrayed as an utopia, where there are no problems of power. It is not surprising to find that Mukherji jettisons all proposals for reform. Even untouchability is justified—as the comparison of a housewife cleaning her rooms to prepare for puja, to an operation theatre where precautions are taken against infection—on the improbable grounds of hygiene.

Two texts, the *ADR* and the *HCC*, separated by only a year, with a deep line of contradiction running through. However, the criticality of the schism does not put an end to the search for a definitive Hindu community: as *HS* indicates, it makes this desire more urgent. Too much power is at stake and the fear of the detachment of the low castes too perilous. The increasing prestige of the preoccupation with the census becomes evident in the way Mukherji's assertions withstand a scathing critique from within the Congress. It is this which I will now briefly consider.

V

By 1910, the year he wrote his critique of *ADR*, Sakharam Ganesh Deuskar was already, unlike his antagonist, a highly revered leader. In 1905, this domiciled Maharashtrian introduced the Shivaji Utsav (a festival started by Tilak in his home province, which had mobilised Hindus against colonial rule at the cost of alienating the Muslims) in Bengal, following this up with authorship of *Desher Katha*, an indictment of British rule that became a standard reference work for Swadeshi activists. His book, *Bangiya Hindujati Ki Dhangshaner Mukhe?* (hereafter *BHD*) was written partly because of Mukherji's silence on the criticisms of Kishori Lal Sarkar, a high court 'vakil', in the pages of *Amrita Bazar Patrika*.[38] Despite Deuskar's credentials as a Hindu nationalist, *BHD* did not make a popular impression.

For the most part, *BHD* is a rigorous statistical and political analysis, which ruthlessly shows up the many inconsistencies and suppressions that underpin Mukherji's deductions. Deuskar concludes that while the Hindu population grew slowly during 1872-1881 (by 3.65 lakh, while Muslims increased by 5.18 lakh), between 1891-1901 their numbers accelerated (rising by 14.62 lakh above the 1891 figure, while the Muslim population added 24.97 lakh to itself). These figures, for Deuskar, make nonsense of Mukherji's claims, since both caste structure and the level of poverty remained constant during the period of accelerated growth. Alternatively, he traces the fallowness of the 1872-81 period to the ravages of malaria, which afflicted the western parts of Bengal, extracting a much higher toll than the floods and even outbreaks of malaria in the eastern parts, which in contrast to the 'west' was populated mainly by Muslims.

Even more effective is the critique of suppressions. For one, it is pointed out that Mukherji does not take the figures for certain areas (Srihatta and Kachar) into account. More crucial is the silent suggestion that Mukherji is deliberately whipping up anxiety, which is implicit in Deuskar's observations that Mukherji does not specify O'Donnell's calculation, which asserts that it would take a lengthy 650 years for the Hindus to disappear altogether: a figure that would not harmonise with the immediate prospect of disappearance that *ADR* paints. Later *BHD* goes on to assert that, in fact O'Donnell had wilfully classified tribals who had come under the influence of fallen brahmins, as 'animists', without extending the principle to converts of other religions. Nor does *ADR* mention the higher longevity rate amongst Hindus. Besides, it manipulates figures for education. For instance, the figures of Muslim 'muchis' provided to dramatise the superiority of Muslims' educational attainments are undoubtedly impressive; but the reader is not informed that these figures are only for Darbhanga. On the other hand, if only low caste Hindu male muchis were to be included, the number of educated amongst them would rise from 8 per 1,000 (which is Mukherji's figure) to 232 per 1000!

Deuskar does not stop here. Being an activist, he possibly felt the need to address the anxieties engendered by changing power relations. He offers three causes for the comparatively slower Hindu growth rate. The first is the practice of prohibiting widow-remarriage, which was being taken over by sanskritising castes. Secondly, there is casteism, suggesting here the possibility of a future caste war, that would obviously lead to a delinkage from the low castes. And finally, Deuskar advances a cultural cause, stating that Bengalis have declined physically because their hearts had been conquered by western customs.

The problem with these explanations is that the discourses of rigorous statistical explication and the more speculative one of reform do not coalesce, except for the question of widow remarriage. And that is discussed with a measure of empirical persuasiveness by Mukherji. On the other

hand, the east-west schema involves such an abrupt switch from the physical to the cultural (without the mediations that Mukherji makes), that it seems more of an excuse than an explanation. But more than anything else, it is Deuskar's inability to grapple with Mukherji's persuasive portrayal of the double Other, that explains its limits. As we shall see, it is the latter's explication of the caste problem that popularises the anxiety of Hindu numbers. But Deuskar seems to be caught on the wrong foot on this problem. He only acknowledges the caste factor, without elaborating upon it. Consequently, he can neither decisively repudiate the connection between caste structure and demography, nor propose an alternate programme of caste reform. On the other hand, while he appears to understand that Mukherji's text is part of a larger process of ideological consolidation of a Hindu-Muslim divide, Deuskar's strategy is to merely reassure the Hindus about their ability to reproduce. Which, along with his inadequate social prescriptions, ultimately belie a sharing of anxiety. The problem is that like most other Swadeshi leaders, Deuskar is unable to realise that the concept of Nationalism needed to develop from its 19th century moorings in an implicit Hindu identity, to attempt an alternate theory of Hindu-Muslim relations. Without that urge, good intentions remained merely good.

VI

Papia Chakravarty's book (cited above) breezily admits that Mukherji may have made committed some statistical errors in his 'enthusiasm', while loftily conceding that Deuskar had shown "ingenuity in mathematical calculations". Nevertheless, Chakravarty feels free to incorporate most of Mukherji's arguments in her own. This does not raise the biggest question however. She concludes that the upshot of Deuskar's talents was that he "misunderstood its [*ADR*'s] underlying purpose", which was the "rejuvenation of the entire Hindu society."[39] The cheer-leading by a professional historian for the conlusions of a text that is unsupported by its self confessedly/evidently statistical assumptions, is not only affirmative of the influence of this communal common sense I have talked of, but raises a problem retrospectively. Is there something in *ADR* itself which lends itself to such a cavalier treatment of its assumptions?

At the very beginning, *ADR* raises the question, as to whether Hindus were faced with an absolute or relative decline. Mukherji's figures indicate that the answer lay obviously with the latter. But he never does get around to discussing the question. Instead his intensely negative picture reiterates the assertion made in his title. The sheer weight of 'argumentation' then, paradoxically detaches it from its basic assumption: the statistics regarding Hindu demographic decline is not only divorced from the necessity of disciplined explication, but becomes a signifier of an entirely different story. The statistical becomes a trope of imminent death. And Mukherji spares no effort in exhibiting it as such. The first page of *HS* is adorned by a simple census table containing the numbers of Hindus and Muslims since 1872 in Bengal, with a two line statement below, stating the relative numerical extent of Hindu decrease. This little introduction expresses the author's confidence that his analysis has become common sense: he no longer has to explain anything. On the other hand, the census has become a visual clock, analogous to the Disaster Clock of our times, that measures how close our planet is to destruction every day. Two sets of numbers, one of time, the other of the numerical size of the communities: within less than a lifetime, the Hindu population is shrinking even as the Muslims are growing. Each moment becomes crucial.

We have already seen that Mukherji's structure of argumentation allowed a great deal of swift movement across different preoccupations, encouraging the use of displacement as a consistent method. The surreptitious conversion of the statistical into the purely tropological, enormously expands the range of concerns to which traces of *ADR* can be attached. In fact, the anxiety of Hindu numbers is made to lend its weight to nearly all the important problems that confront the construction and activisation of a monolithic Hindu society. In the second decade of this century, this meant its conscription by explorations of the caste problem that were not engaged in whipping up a Muslim antagonist.

The Gait Circular was withdrawn; but the apprehensions it caused were enough to make Mukherji an authority on casteism. As I have mentioned, Mukherji was invited to address the United Bengal Provincial Congress held at Faridpur in 1911, "to improve the status of the Namasudras and other 'depressed classes' and to bring them into the fold of organised Hinduism".[40] Mukherji went on to build a network of contacts with low caste leaders, especially with Damodar Das, a representative of the Mali caste.[41] However the most interesting man he was to influence was Digindranarayan Bhattacharya, a dynamic brahmin reformer.

Mukherji's attitude to the main objects of his reform, the rural low castes, is managerial; distanced. He claims authority on the basis of his knowledge of their lives, an understanding that is held up for general inspection to his urban upper caste brethren. Bhattacharya's tone, by contrast, is always that of one who is in the thick of battle. Maybe this has something to do with his life which was almost the inverse of his mentors'. Mukherji belonged to the upper echelons of anglicised Calcutta 'bhadralok' society, being a son-in-law of Sir Surendranath Bannerjea and a member of the Indian Medical Service. Bhattacharya hailed from Serajegunje, a small town in Pabna district and came from a Vaishnav family that traced its genealogy to an associate of Chaitanya himself. Moreover Bhattacharya expanded his influence, without disavowing his role as an 'organic intellectual'. His career did not follow the accepted trajectory of a Bengali rural intellectual which till as late as *Pather Panchali*,[42] is one of abandoning the rural for city life. He travelled extensively in the interiors, addressing meetings, engaging in many acts of reforming habits of caste intolerance. He was a prolific author. According to the biography by his admirer, the low caste Poundra Khattriya (originally called Pod) leader Manindranath Mandal, Bhattacharya had already written 22 books in Bengali (some being translated into Assamese and Telegu) and widely read in the villages.[43]

Mukherji appears to have been the main source of encouragement from amongst the Calcutta intellegentsia, having written a highly laudatory 'Preface' to Bhattacharya's major work on caste reform, entitled *Jatibhed*.[44] This book received acclaim from urban reformer intellectuals, including Tagore, Sir Surendranath Bannerjea, Sir P C Ray, and even Swami Shraddhanand. Significantly this general commendation coincided with a general lessening of upper caste apprehensions regarding Muslims. The withdrawal of the Gait Circular was succeeded by the reunification of Bengal in 1912. On the other hand, communalised Muslim leaders like Ameer Ali were being displaced by young, anti-British ones epitomised by Fazlul Haq who sought to come closer to the Congress. This trend was to crystallise in the Lucknow Pact of 1916 and culminate in the Non-Cooperation/Khilafat movement. Nevertheless this pattern in communal relations was not accompanied by a corresponding move in relations between the upper and low castes in Bengal. Namasudra demands for declassifying themselves from the Hindus remained while the announcement of the Montagu Chelmsford Committee to study reforms triggered off, as we have seen, demands for separate electorates.[45]

Since a major part of Mukherji's preoccupations had to do with caste, there was

bound to be a great many common problems that Bhattacharya was likely to share with him. The intellectual link was further crystallised through the common interest in Vivekananda But within these shared areas, Bhattacharya produced his own resolutions. His major contribution was to assimilate the undoubtedly marginal position that reformist discourse occupied to the more deeply entrenched and widespread ideas of Vaishnavism· an act that complements his efforts at widespread geographical and social dissemination of caste reform.

Chaitanya was held to be a major transgressor of caste divisions since he popularised the notion that low castes could achieve salvation in the 'Kali Yug',[46] through proper recitation of the Divine Name alone. Bhattacharya extends the prospects of spiritual egalitarianism that are offered thereby and does this through the popular and attractive form of a creation myth. His story also resolves the schism, between the focusing on singularity and the celebration of plurality that separated the two texts of Mukherji's. Starting from the Vaishnav tenet that creation was the product of 'lilakhela' (divine play), he reinscribes its meaning to assert that it was characterised by two principles: egalitarianism and variety. Thus although there were different castes, races, nationalities etc, the Lord looked on all equally. This inheritance was however subverted mainly by the brahmins, producing a state of degeneration that could not be endured by the Lord, whose initiative is described thus: "The pleading, soul-piercing wail of the ignorant low classes shook the throne of God's Heaven, and unable to remain still any longer... He divided himself into crores...of pieces and entered the hearts of the oppressed...in the form of a new Chaitanya." 'Chaitanya' here refers simultaneously to both the saint, as well as the general consciousness of rights, embodied in the minds of the low castes, the *double entendre* rewriting and radicalising the notion of the Brahman, the one and many

This structure of comprehension allows Bhattacharya to identify active reform work as part of his inherited religious responsibility. This is important because Bhattacharya goes further than his mentors. Not only does he engage in active reform in rural areas, but he writes texts *for* the low castes. Both Vivekananda and Mukherji wrote their major works in English, linguistically underlining their perspective that it was primarily the upper caste elite who needed to reform their attitudes. On the other hand, Bhattacharya pens origin myths for different castes, a textual procedure that was an essential ideological resource for castes seeking to improve their status. Further, it explains why he was very encouraging to Manindranath Mandal when the latter broached the proposal to form the Bangiya Jana Sangha in 1922, an organisation that sought to unite all low caste organisations. It was only in the fitness of things that Mukherji who was approached first proved to be discouraging:[47] after all, *ADR* assumed that reforms would be carried out under the tutelage of the upper castes.

But Bhattacharya too is committed to a reassertion of Brahmanical leadership, and his criticism of them, like that of his mentors', is directed towards that end. However he stirred much greater hostility,[48] not only on account of his sharpness, but more importantly, because his observations were articulated in low caste gatherings. Points similar to Vivekananda's and Mukherji's, articulated amongst low castes, as happens in Bhattacharya's case, has the very different impact of galvanising critiques of caste from below. In fact, unlike both Vivekananda and Mukherji, he seems to privilege reform of low castes over the necessity of organising the Hindus. Even though the latter is a major preoccupation with him, as can be evidenced in *Jatibhed*, which opens with a panegyric to the sacred geography of the nation and the need for Hindu unity to fulfil itself.

There are two more substantial—and consequential—traces of this drive. We have already seen the importance Mukherji placed on the institutionalisation of certain privileged spots of space and time (such as the *'waz'*), in producing spatial egalitarianism and organised endeavour. Mukherji's assertion of its absence amongst Hindus, implies a critique of the unsuccessful Swadeshi modes of mobilisation of low castes, which involved propaganda in fairs and religious festivals. Bhattacharya's moorings in Gaudiya Vaishnavism (of Chaitanya), an ideology that was premised on the creation of a common, inter-caste disposition through music, enables him to offer a credible alternative. Music had already played an important mobilising role during the Swadeshi movement. But what Bhattacharya proposes is the 'kirtan', which involves a daily congregation built around music.[49] "Everyone should become part of a single life, a common mind Let the sweet sounds of *harikirtan* enhance villages each evening", exhorts Bhattacharya: a recommendation that binds egalitarianism and sameness on a regular, everyday basis (as recommended by Mukherji), provides a simultaneous rooting in popular, rustic culture, along with mobilising a traditional ideological sanction for routinely overcoming caste barriers for a limited period, and all these combined in a simple, accessible tradition! It was an extremely influential suggestion, for the identification of Hinduism with music became an imperative condition for the proclamation of Hindu rights in the contentious music before mosque issue, that fissured the 20s.

There is, in fact, something pernicious in *Jatibhed;* an inheritance of Mukherji, that could permit the conscription of Bhattacharya's recommendations into a communal cause. And this lies in the use of Mukherji's census table, which is presented at the beginning of *Jatibhed.* Obviously Bhattacharya uses it as a figure of anxiety alone, for his argument is not elaborated on the basis of antagonistic comparison with the Muslims (as a matter of fact, it is only Christianity that arouses his ire), which does not improve matters, since the table is allowed to remain like weeds in a boat propeller. On the other hand, this trope is ingenious, for in it the decline and impending doom of Hindus, is indissolubly indentured to comparison with a Muslim Other. The power of the tabular trope lies in its refusal to allow a comprehensive reinscription of itself. Its internal structure of antagonistic comparison remains stubbornly encoded, even as a different chain of significations is being attached to it. The triumph of this sign is that it seduces by the rhetorical potential it offers for reformist mobilisation: but its very use confirms a communal habit of viewing as common sense, silently imbricating it as such into the new territories of thinking in which it is made to move.

An even more vivid instance of its ability to introduce a surreptitious crack; in fact, even go against the grain of a particular line of enquiry, without appearing to create disharmony, can be found in Tagore's *Gora*. It is a story about Gora, an extremely gifted and idealistic brahmin youth, who believes in neo-brahminism with missionary zeal. The discovery that he is actually an English orphan brought up by brahmin parents questions all his assumptions,in the process radically destabilising all notions of identity drawing on a Self-Other polarity. But tucked into a corner that one may have difficulty in remembering, but which occupies a fairly strategic position in the plot, is a more familiar story. Pareshbabu, a person committed to a liberal, universalist notion of identity, is confronted by Sucharita, his doting ward, who seeks his advice on her desire (produced largely under Gora's influence) to convert to Hinduism. As he starts to remove the intellectual grounds from her impulse, she bursts out to say that the superiority of Hinduism lay in its survival. Pareshbabu's clinching objection comes here: he patiently replies that Hin-

were actually disappearing, and that if present conditions continued, it would become impossible to call the country Hindustan, since Muslims would become the majority.[50] Not only does Sucharita retract, but this point marks the reversal of Hindu influence in the novel. After this, Gora also begins his journey of self-realisation when he starts living in a village and encounters the problems of casteism amongst the Hindus, and a corresponding unity among the Muslims, in fact a picture that recalls Mukherji's!

Gora was published in the same year as *ADR* and there is no way of knowing whether this passage was inspired by the latter. The point is that this piece of common sense, which actually involves a structure of comprehension, plays a decisive role in a text that seems to align it to another path. Seems, because although this trope is used as part of the questioning of the narrowness of identities, its internal constitution remains unaffected. In fact the contrast with the Muslims is crucial to hammer in the pressure of impending doom. The power of this trope is even more evident than in *Jatibhed*, precisely because the rest of the novel diverges so radically.

What we have here is something akin to a free signifier, allowing itself to be redirected: without however surrendering its inherent and inflexible communal code. The consequence is that it accommodates itself to a large variety of understanding, insinuating itself into non-identical, even contrary discourses, splitting and problematising them, without casting ripples. The net result is the production of the Gramscian understanding of common sense, which referred to the fragmented, contradictory character of popular consciousness, that amalgamated traces of disparate world-views into itself. But the story of the 'census' reveals that these traces did not remain as such. A different matrix of political forces changed all that.

VII

The new development in the 'life' of this common sense in the 1920s is that the Hindu Mahasabha emerges as the authoritative organisation of Hindu communalism in the country. It had been inactive during the greater part of the Non-Co-operation/Khilafat (hereafter abbreviated as NC/K), being revived by Malaviya only in 1922. Its swift assumption of an all-India character was not only because communalism filled in the gap left by the disappointment of the 'Bardoli retreat', but equally, because their members were simultaneously part of the Congress, allowing them the opportunity to expand their network alongside that of the Congress. But Bengal had additional reasons for its receptivity. The first of these returns us to the problem of numbers again. Hindu intellectuals in Punjab (which was a major centre of the Mahasabha) were thinking of it at the same time as their peers in Bengal, if not a little earlier. It acquired its definitive shape there, in Lala Lal Chand's 'Self Abnegation in Politics', which was published in the same year as *ADR*.[51] There was also a more grim aspect to this relationship. Punjab and Bengal provided two of the heaviest centres of rioting in the 1920s. The initial wave of major riots which followed the NC/K, took place in Punjab, starting in Multan and Amritsar; while the frenzy of rioting gripped Bengal a little later, Calcutta had the dubious distinction of hosting in 1926, the biggest riots known till then in the history of the subcontinent. The combined impact of all these accounts for the swift spread of the Bengal Hindu Sabha. Though it was formed as late as August 1923,[52] we can find its imprint almost immediately, not least in the orientation towards organisation in the pamphlets we will examine.

Two of these, Saileshnath Sharma Bisi's *Hindu Samajer Bartaman Samasya* (*The Contemporary Problems of Hindu Society*), and Sir P C Ray's pamphlet entitled simply as *Faridpur Pradeshik Hindu Sabha*, are reprints of speeches, delivered as chairman of the reception committee, Serajegunge Provincial Hindu Mahasammilani (The Great Hindu Conference at Serajegunge) in 1923, and as president of the Faridpur Provincial Hindu Sabha in 1925, respectively. The third pamphlet, entitled *Bangla Hindu Jatir Khoy O Tahar Pratikar* (*The Decay of Bengali Hindus and Its Remedy*), is purely a mobilising tract, brought out directly under the authorship of the Tangail Hindu Samaj Sangrakshini (Preserver of Hindu Society in Tangail) in 1924.[53] Together they indicate the presence of organised power in promoting the concern with Hindu numbers, propelling its articulation in three different places in three successive years. This development holds out methodological consequences. Being now faced with a network around the 'census', it would be appropriate to treat them as a composite, even if loosely affiliated, group of meanings, instead of exploring individual accentuations.

The hardening and consolidation of communal consciousness that we see in the 1920s, is obviously built on the many failures of other initiatives; but the one most closely related to our particular enquiry is that of the aspirations aroused by and represented in Bhattacharya. In many ways the man was a phenomenon. We have already seen the adulation he received in upper caste reform circles. His following amongst low castes was even stronger—which makes him an unique figure amongst upper caste reformers. In his biography (cited above), Mandal, a leader of the Poundra-Khattriya caste, wrote that Bhattacharya was not only greater than Rammohon Roy and Vivekananda, but actually superseded Chaitanya in his commitment to removing untouchability. A special song was composed for him when he presided over the Kalna Nikhil Bangiya Vaishya Teli Sammilani (the 'telis' being a low caste oil-pressers), which proclaim him to be an 'avatar' of Hari (the other name of Vishnu, whose incarnations include Krishna, the dominant figure of worship in Gaudiya Vaishnavism). Obviously Bhattacharya reanised in his person the desire for a consensus on reform. He represented a 'historic bloc' of the upper and lower castes, demonstrating to both that brahminism could be reinvented. The problem was that this was a possibility that was individual, at a time when influential caste groups from opposite sides, such as the Brahman Sabha and Namasudras, remained unwilling to strive for such a prospect. Bhattacharya was thus fated to represent at best a (desire for) temporary alignment.

Bhattacharya was influential enough to leave traces of his ideas, though they were now harnessed to a contest with the Muslim Other. We have already seen his contribution in the kirtan suggestion, which provided an ideological imperative to the revival of the music before mosque issue. Less dramatic, though arguably as important, was his propagation of Vaishnavism. The Tangail Hindu Samaj Sangrakshini pamphlet (hereafter THS), brings the heritage of both Mukherji and Bhattacharya together, by first reciting Hunter's claims about Islamic reform approvingly cited in *ADR*, at this point, it suddenly breaks off to offer 'pranam' (salutations) to Chaitanya. It then proceeds to repeat the assertion that the saint had introduced equality among castes through 'sankirtans' and 'mahasabhas', but edges in a revealing comment. It says that Vaishnavism provided a religion where the upper castes could suspend caste rules regarding the acceptability of water, etc, without having to surrender their 'respectable' status. The excessive emphasis on egalitarianism present in Bhattacharya is thereby pruned away, and Mukherji's imperative of hierarchical organisation warranted by an Islamic challenge is preserved -without departing from Vaishnavism. An even more straightforward harnessing of Vaishnavism to exclusively organisational imperatives is present in an article written by Piyush Kanti Ghosh, the editor of *Amrita Bazar*

Patrika and a leader of the Bengal Hindu Sabha, which is revealingly entitled, 'The Best Way to Organise the Hindus' Although it mouths warnings of a low caste upheaval, the anger against upper caste discrimination which accompanied these warnings in both Vivekananda and Bhattacharya is absent here. On the other hand, the real emotional centre lies in its proclamation that "it is on the grounds of religion that the Hindus must meet", for, "on no other basis will the unity last long". And this unity, it can be guessed, is compelled by Muslims; Ghosh advises 'brahmacharya' (celibacy) and 'suitable physical exercise' for Hindu offsprings. They could then die "defending his [the Hindu's] religion and home and hearth", a common newspaper phrase that invariably implied a Muslim threat.[54]

In a way, the shift to an overwhelming concern with Hindu organisation also made Mukherji's privileging of caste relations its victim. For, despite the efforts of reformers, caste remained a signifier of vertical cleavages that were insoluble within the framework of brahminism. This did not mean that caste problems would disappear from the rhetoric of communal Hindu reform, since its manifest reality was far too forceful.[55] As a matter of fact, caste remains a major preoccupation in all three texts (with Ray beginning his speech by mentioning his indebtedness to Mukherji). But what it did entail was the subordination of caste to the more fearful question of gender.

VIII

The new temper is enunciated in its most extreme form by Bisi. The explanation he offers for declining Hindu numbers has nothing to do with caste; on the contrary, it leads him to a consideration of 'unproductive' marriage customs, that is focused on the ban on widow-remarriage, which he claims is responsible for many social abuses. Bisi does discuss the problem of untouchability, but separately—suggesting a certain move towards its marginalisation. It is true that the others bring in caste more directly in their demographic considerations. But with a difference. For instance, *THS* asserts that the decline in Hindus is due to the low castes. But instead of discussing inter-caste relations like the earlier generation, it blames their marriage practices and recommends widow-remarriage, which would not only lead to the multiplication of Hindu children, but would also dispense with the dowry system. The importance of widow-remarriage is underlined, by reiterating its necessity in the conclusion. Sir P C Ray begins his speech by declaring the ban on widow-remarriage to be the cause for the drop in Hindu numbers; he deviates thereafter into Mukherji's analysis of peasants (the Hindu lacking initiative, the Muslim possessing it), but comes back to offer widow-remarriage as the first item on the list of solutions. He highlights its importance by providing another table showing how the numbers of Hindu widows outstripped those of Muslims, in the 15 to 30 years age group, which complements his citation of Mukherji's table.

What does the Widow signify? The self-evident motivation is that of resource optimisation, which relates to widows in the same manner as newspaper articles of this time did to cows. in both cases the major problem is that of efficient breeding. In the process, this consensus summons up the zeal and dignity of past reformers like Vidyasagar. But his humanitarian aspects, the deep though admittedly patriarchal outrage at the treatment of Hindu women, all these are absent. On the other hand, where Vidyasagar is recalled,[56] is in the apprehension of moral contamination of Hindu society by sexually deprived and 'available' widows. There is actually a basic similarity in the way that both Muslims and widows are treated: both are seen as figures of potential sexual excess and hence of fear.

This penumbra of associations was widened by their position in the social relationships of rural areas. Apropos of allegations of abduction of widows in the Mymensingh riots of 1907, the district magistrate in his report stated that on enquiry these allegations were found to be "merely threats, the fact that Hindu widows are not allowed to marry again being always rather a subject of comment among Mohammadan neighbours".[57] Obviously they represented a grim shadowy area in male society; being outside the protection that the domestic identity of female chastity provided, she was both an invitation and a threat. Matters were exacerbated by another likely phenomenon. Some Muslim newspapers claimed that many of the Hindu women who were reportedly abducted were in fact widows, who rescued themselves from the burden of their lives by eloping with Muslims.[58] Besides making widows more 'attractive' as the explanation for Hindu numbers, it also led to an associated and in many ways, a more powerful concern in the 1920s.

After offering widow-remarriage as a remedy, Ray suddenly transits to a new recommendation, exclaiming: "All the wives of our kin, who are being abducted, and whom, because of our weakness and cowardice, we cannot rescue from the hands of the depraved—we should save them and give them a place in the bosom of society." Likewise, while talking of widow remarriage, Bisi suddenly elaborates on the heartlessness of Hindu males and their disloyalty to the devi (goddess) ideal, evidenced in their refusal to take back their abducted wives. The point in both cases is that the suddenness of the transition to the abducted wife issue takes place in the context of a discussion on widows. The instance of Ray in particular indicates that the jump is occasioned by an irresistible power of association, the logic of which is suppressed. Significantly, these passionate lines are not repeated: it is as if they appear (or are made to), in spite of Ray's intention.

To account for the pressure of this rhetoric will take us to a point outside the province. In the speech that he delivers as President of the Hindu Mahasabha in 1923 at Benares, Malaviya provides one of the first attempts to create a history of abductions. He claims that the British incited the Muslims to attack Hindus, the first instance of which occurred in Bengal (referring possibly to Jamalpur) and was repeated in the Frontier districts: the common feature in both was the abduction of women. This was followed by the Moplahs (who besides converting also abducted Hindu females) and then by the sexual outrages of Amritsar and Multan. He then went on to deduce a moral from his claims by contrasting Hindu apathy with English belligerence when their women were insulted. "Behind English girls and women there is a national strength which protects them wherever they go. So also with Mohammedan women." The main reason for Hindu disunity, he continues, lies in their inability to defend their "religion and women".[59]

The abduction theme allows Bisi to make a similar point, when he asserts apropos of that discussion, that Muslims should not confuse Hindu liberalism for cowardice 'Abductions' become yet another method of defining collective desire by first imputing a certain character to the other (in this case that of organisation), and then setting it up as a quality to be emulated. It recalls Mukherji's technique. Except that Malaviya's litany of riots, the portrayal of an immense conspiracy by Muslims and the British underlines the immediacy of this need. The prospect of a long-term, peaceful competition with Muslims that was offered in *ADR*, has completely disappeared.

In the course of 1925, one of the few anti-communal newspapers the *Mohammadi*, commented that cases of abductions had started to proliferate only after the formation of the Sangathan movement.[60] Undoubtedly the figure of the threatened woman has its advantages. The

election of woman as signifier and index of Muslim 'oppression', makes the very presence of the former a source of anxiety, which can only be constant and omnipresent. The figure of the woman as a potential site of outrage carries the fear of the Muslim into every home, consequently strengthening the drive for mobilisation. This representational process is accelerated by the print media of that period. Already during the Jamalpur riots, an important way of stimulating feelings of outrage was by carrying grossly exaggerated stories of abductions of Hindu females. The difference in the representations of the 1920s is that newspapers publicised stories that showed Hindu women abducted by Muslims in non-riot circumstances. Secondly, these women tended to be wives and not widows. These reports were normally small, but regular in frequency. Moreover they formed, as it were, satellites to some major sensational reports, such as the Barodasundari case, that had occurred in Rangpur in 1923, but which was kept alive as news through detailed reporting on the state of this case in the law courts even in 1925.[61] It may be observed that gender-related issues were a major stimulus for early nationalism too, especially that of the Age of Consent bill agitation of 1891, which involved a mass movement for protecting the complete control of Hindu males over the sexual life of their wives. A problem with the earlier discourse was that it had to reject all signs of marital affect in favour of its assertions.[62] The advantage here is that Hindu defence of their wives against a lusting Muslim introduces space for domestic affection to be reaffirmed.

The emotional physiognomy of this image indicates a more intimate threat from the Muslim than in the widow issue. Moreover it suggests a violation of mutual respect for the others' codes of domesticity: it signifies betrayal.[63] We may recall that the Muslim presence in Mukherji did not interpenetrate with the Hindus: its threat was an external one, as if it were a separate country, generating resources internally, to take over the Hindus. The difference between these two images corresponds also to the changed political circumstances of Hindu-Muslim relations. The NC/K was the first self-consciously joint Hindu-Muslim mass movement in the history of our sub-continent. Its symbol was (and still remains) the spectacle of Swami Shraddhanand addressing a congregation at Delhi's Jama Masjid in 1919. At the same time, the movement popularised the notion of the country as a federation to which even leaders like Lajpat Rai subscribed.[64] The effect of this was to locate the Muslim as an 'insider' to Nationalism—in sharp contrast with the Swadeshi agitation, where the Muslim was excluded by the Hindu-oriented inheritance of nationalist discourse. Additionally, this inheritance was given a longer life in Bengal by Das' Bengal Pact designed to establish a stable alliance between Hindus and Muslims. Its impact is palpable in Bisi, whose explicit reference point, despite displays of aggression, remains that of making the pact workable. It was this discourse of mutuality that had to be broken, and the figure of the threatened woman provided the most potent instrument to do this.

IX

The trope of the census gains flexibility over time. Its qualities in this regard lie not only in allowing itself, firstly, to be used in an additive capacity (Bhattacharya), and secondly, its order of explication to be altered (as in the 1920s), but equally, in permitting the new bits attached to it their own independent significance. In the 1920s, the 'Threatened Woman' theme is felt to be so crucial, that it spawns its own organisation, the Women's Protection League. The reach of this new rhetoric can be seen in the changing attitudes of Chittaranjan Guhathakurta, a Swadeshi hero who had been beaten up by the police at the Barisal Conference in 1906. He was one of the few who openly criticised the Suddhi movement as anti-Muslim.[65] Three years later, he blithely delivered speeches calling for setting up self defence committees at meetings of the Women's Protection League.[66]

As I have implied, the Threatened Woman theme is more suited to the demands of mass communalism than the Census. A self-evident problem with the census concern is its baggage of statistics and fairly elaborate explications. It possesses a certain heavy, 'academic' air, which restricts its broadcast to pamphlets and speeches in gatherings of the politically literate. But in this period when mass politics had entrenched itself (not confined to 'peak' moments like the Swadeshi), political messages demanded an immediate receptivity. The surprising thing is that the 'census' does not wither away in these unfavourable circumstances. It adapts itself.

Interestingly, it is Mukherji who provides direction again. This lies in the invention and use of the phrase, 'the dying race'. The phrase 'packages' Mukherji's argument, detaching it from the elaborateness of the explication, without surrendering the pressure of fear and anxiety. This allows it to be used like a slogan, which through sheer rhetorical brevity, insists on immediate attention. Not surprisingly, at two important points in his life Shraddhanand writes books with titles that proclaim the need of 'saving', 'the dying race'.[67] Further the retention of the emotional at the cost of the mathematical (already partially accomplished in the changeover from relative to absolute decline), allows the numerical aspects of the concern to be used freely. Thus for instance, Piyush Ghosh claimed it would take 400 years for the Hindus to disappear,[68] Ray in Faridpur identified it as 200-250, while Jagatguru Shankaracharya in a Mahasabha meeting at Nasik warned it would take merely a century![69] Undoubtedly the conversion of the 'census' into a fully grown, popular communal knowledge, increases its flexibility even more drastically (without losing the authority of statistics), allowing much bigger effects to dramatise anxiety.

Further, the 'census' insinuates itself much more easily into related interests. In a public meeting held at a rice mill at Uttadinghee, an industrial suburb of Calcutta, Pandit Devratan Sarma, secretary, Hindu Mahasabha asserted that Hindus had physically and numerically, degenerated. He then reportedly proclaimed. "Now if so deplorable was the condition of individuals, what could be expected of the nation composed of such weaklings? So when calamities like that of Kohat, Saharanpur, Malabar and Ajmer befell them, they were defenceless..".[70] The 'census' gathers new unstated implications: the Hindus could no longer resist the Muslims physically and in turn they were dying in greater numbers because of physical liquidation by Muslims. We come here, as close as we can possibly get, to the use of the 'census' as a battle-cry.

It is the notion of the threatened male body that permits this unmediated connection between Hindu numbers and riots. This recalls the sub-text of Mukherji's preoccupations, though it is necessary to remind ourselves that when he talked of the need for training, it was applied to the structure of morals and motivations on which rests his idea of Hindu subjectivity. The 20s see a preoccupation with the trained male body. After witnessing a display of physical exercises in a club, Piyush Ghosh declared: "Bengalees as a nation were degenerating and were a dying race. Physical culture was the only remedy to this race-degeneracy."[71] His newspaper regularly carried articles that preached the virtues of physical fitness. A top level national leader like Lajpat Rai exhorted his audience to be like Arjuna as he faced his beloved enemy, Bhisma.[72]

The defenceless female body is counterpointed by the necessity for a trained male body; both dramatise the necessity for conflict. And within this vortex of bodies is located the anxiety of Hindu numbers,

which triggers off fears of low caste breakaway. There are not only displacements involved here. As a matter of fact nothing is ultimately repressed. The position and nature of each theme is qualified by the addition of other ones, drawn from different points of time and brought together in the 1920s to produce a gigantic network that is as much an ideology as a call to physically inflict one anxieties on an enemy, that is needed for the self to be created in the first place.

V

In concluding it is obvious that we need to consider the implications of this network of common sense a little more. I have already mentioned Gramsci's notion. The precise definition is as follows: "When one's conception of the world is not critical and coherent but disjointed and episodic...". He further elaborates this as "a conception of the world mechanically imposed by the external environment".[73] Two implications follow. The one that Gramsci dwells upon is that it is not actively and critically acquired but remains a passive inheritance from more elaborated, unitary systems of thought (to the extent that 'traces' of 'high' philosophy[74] are absorbed: common sense also consists of other inherited ideas, possibly even 'Stone Age elements'.[75]) The second that can be deduced and which I will focus upon is that such a structure of consciousness cannot interface with organised politics.[76]

Much of what we have seen so far of communal common sense does not tally with Gramsci's characterisation. The crucial difference is its organised and active 'life'. This not only refers to its propensity for orchestrated articulation. In this connection, it will not be out of place to mention that the footnotes I have provided to demonstrate the shift to the mass appeal of the 'dying race' (in place of statistical elaboration) trope are drawn predominantly from the history of a single month—which preceded the Calcutta session of the Mahasabha in 1925: obviously common sense lends itself to be used for organised mobilisation. The less dramatic, but more important instance of this facet is that it possesses its own principles of structuration. It may be remarked that the discursive power of Hindu communalism, as we have seen, does not spring exclusively from single texts or even a chain of them, as from the swift creation of a popular network of certain tropes, themes, structure of apprehension and reform, at the heart of which functions a single mobile trope to provide the necessary ideological orientation. And this produces a formation of immense potency and amazing flexibility. For it constantly accretes new meanings, whole traditions to itself, producing from its formative moment a web of thought that ranges from stereotypes to statistical and sociological analysis.

But our reading also indicates how communal common sense hides its ideological orientation, making an existential statement of its ideological position; allowing itself thereby to permeate contrary modes of thought. Most of all, what it possesses is credibility.

Gramsci's definition of the disjointed, internally contradictory nature of common sense will be of help here to understand this phenomenon. Communal consciousness not only enters into contradictory relationships, as in *Gora*. If one were to also look at the different themes that make up the communal consciousness we have examined (e g, dying Hindu/powerful Muslim, caste division, abducted widow/wife, threatened male body), without taking into account the history of interconnections, then one is bound to be struck by an impression of random and disjointed impulses. And in the articulation of these there need not be a necessary self-consciousness of the linkages. In this lies its authenticity. After all the freedom to articulate random views is also tantamount to experiencing oneself as removed from all unidirectional, and for that reason, partisan discourses. The disjointedness of common sense naturalises ideology by providing a form of thought that does not encourage a testing of orientations, precisely because questions of interestedness are made redundant. The credibility that accrues from this location, I suggest, is responsible for the ease with which communal elements percolate, reorient or appropriate. The apparent lack of any distinct ideological or political affiliation permits its imperatives to even seem as universally praiseworthy as something like altruism.

It is doubly important for communal ideology to take its credibility for granted, in other words, in preventing critical examination of its assumptions, for its signifiers are condemned to constant change. Contrary to the assertions of some contemporary commentators who argue for the purely discursive nature of identity formation,[77] it may be recalled that Hindu communal discourses in this paper are greatly shaped by the imperatives of displacement and reinscription of social tension spots, its choices in this matter being determined by alterations outside its control. Its dependence on changing correlations of political and social forces, as well as the discourses of others, necessitate constant change both in the selection and combination of signifiers, as well as in the significance they occupy in varied approaches at different points of time.

But this also means that despite the camouflage of common sense, communalism is accountable to those who have no direct stakes in this world-view. It is no coincidence that Manindranath Mandal not only includes Muhammad in his pantheon of great reformers, but does not also refer at all to the need to contest Muslims, even though he imbibes many of the key concerns of Hindu reform that pertain to altering caste relations. It may be remembered that Mandal represents one of the possible points of entente between the high and low castes. By 1932 however, there is open belligerence towards the Mahasabha. The Pabna Depressed Classes Association, in demanding separate electorates, stigmatised the Provincial Hindu Sabha as an upper caste organisation, disavowing any effort to co-operate with them.[78]

This does not imply that one can presume on social boundaries to determine those of the discursive: elements or even constellations of communal concerns may spill over into other groups, even if they do not yield organisational results at all points of time. The fundamental point here is that the case of communalised common sense indicates that popular consciousness is not only differentiated, but that there exist contestations within it. Studies of popular consciousness are normally carried out by those who do not belong to the 'popular' social sections, and unfortunately they are either (patronisingly) celebratory or dismissive: in either case they retain the marks of distancing which their society invests them. Popular consciousness is thereby erected as a monolith, evacuated of the changes of history, of the wealth of forms and structures of perception they possess.[79]

It is possibly Gramsci who makes the decisive break here. He observes, "...there is not just one common sense, for that too is a product of history and a part of the historical process", and says elsewhere: "Every social stratum has its own 'common sense'."[80] The possibilities of mutual conflict between different formations of common sense that we can read into Gramsci's definition is even more crucial in the present case. Common sense, as Gramsci states, is a site for multiple identities[81]—which makes it more urgent for identity-based ideologies to attempt a formal appropriation of common sense, in order to stabilise the singleness of a particular identity. That identity formation under the aegis of Hindu communalism has not been able to overcome the inherently unstable coalition of other identities subsumed by it, is a comfort, although it is not one we can take for

granted. More than anything else, it still leaves us with the problem of accenting the necessary[82] pluralism of identities by an ideological framework, that does not seek self-empowerment by provoking fear of the Other.

Notes

[This paper would have been impossible without the help of Sumit and Tanika Sarkar. My debt to them would be impossible to recount by footnotes. I am also very grateful to Tapan Basu for a major insight, which I am sure he will spot here.]

1 Indra Prakash, *They Count Their Gains—We Calculate Our Losses*, Akhil Bharat Hindu Mahasabha, New Delhi, 1979.

2 Cited in Indra Prakash, *Hindu Mahasabha: Its Contribution to Indian Politics*, Bankim Chandra Chatterjee, New Delhi, 1966.

3 In his speech, Shraddhanand said that the encounter with U N Mukherji had motivated him to start the Sangathan. *Amrita Bazar Patrika*, June 17, 1925.

4 J F T Jordens, *Swami Shraddhanand*, Oxford University Press, Delhi, 1981 p 134.

5 All citations are drawn from U N Mukherji, *Hindus—A Dying Race*, M Bannerjee (f ed), Calcutta, 1909, rpt 1910

6 Papia Chakravarty, *Hindu Response to Nationalist Ferment*, Subarnarekha, Calcutta, 1992.

7 Kenneth Jones, 'Religious Identity and the Indian Census', *The Census in British India. New Perspective*, N G Barrier (ed), Manohar, New Delhi, 1981, p 81

8 Cited in Lajpat Rai, 'The Depressed Classes', *Lala Lajpat Rai: Writings and Speeches*, Vol I, 1888-1919, Vijay Chandra Joshi (ed), University Publishers, Delhi and Jullundhur, 1966, pp 160-74.

9 In this census it appears as incidental remarks, such as the observation (made while discussing the impact of immigration on increasing numbers) that: 'The main factor, however, is natural growth, and in different parts of the province this largely depends on strength of Mussalmans, who, as is well known, are more prolific than Hindus', L S S O'Malley, *Census of India 1911: Bengal, Bihar, Orissa and Sikkim*, Vol V, Part 1, Bengal Secretariat Book Depot, Calcutta, p 63.

10 All citations to the Gait Circular are drawn from the appendix to U N Mukherji, *Hinduism and the Coming Census. Christianity and Hinduism*, Srikali Ghosh, Calcutta, 1911. Citations from this text are drawn from the same edition.

11 Lucy Carroll, 'Colonial Perceptions of Indian Society and the Emergence of Caste(s) Associations', *Journal of Asian Studies*, Vol XXXVII, No 2, February 1978.

12 Gyanendra Pandey, *The Construction of Communalism in Colonial India*, Oxford University Press, Delhi.

13 A few months before the serialisation of *ADR*, it carried daily reports (at times extending to a full page) of the Titagarh riots (which had occurred in January 1909). Further it had played a leading role in criticising Ameer Ali's petition (see below). All this was in addition to large serialised articles on Hinduism.

14 Deuskar (publication details given below) and Chakravarty (op cit) provide contradictory figures. The latter claims that 50 000 copies of *HS* were distributed free. I have opted for Deuskar's figures, since they seem more in keeping with the practical disposition of Mukherji

15 Cited in Chakravarty, op cit, p 44

16 The precedence of the Morley Minto reforms encouraged the demand for separate representation. A Namasudra resolution gave the following reason: " though our religious rites and their observances and social customs are similar to those of high castes Brahmins, we have not the slightest connection with any of the Hindu communities". Sekhar Bandopadhyaya, *Social Mobility in Bengal in the Late Nineteenth and in the Early Twentieth Centuries*. (Ph D Thesis, Calcutta University, 1985), p 401

17 Lajpat Rai's 'The Depressed Classes' (op cit) appeared only a month after the publication of *ADR* in *The Modern Review* in July 1909, and provided similar recommendations

18 Bandopadhyaya, op cit, p 424.

19 *ADR* quotes Lord Morley's reply to Ameer Ali's petition, which typically encourages initiative from the latter by a non-committal attitude: "I submit it is not very easy [to carry out the exercise of separating out the low castes] and I have gone into the question very carefully to divide these lower castes and to classify them"

20 Sumit Sarkar, *The Swadeshi Movement in Bengal 1903 1908*, Peoples Publishing House, New Delhi 1973, pp 135-36. The Boycott movement was practically over in Calcutta by 1907, ibid, p 145. Highlighting the general failure was the parting of ways between the Moderates and Extremists in 1908

21 A recent article by Tanika Sarkar has explored how in the 19th century, conjugality represented the only source for male Hindu control (and therefore 'autonomy') in a society that was increasingly being experienced as under the stifling control of a foreign power 'The Age of Consent Rhetoric: Resisting Colonial Reason and the Death of a Child Wife', forthcoming

22 Mukherji's citation of Hunter states how Muslims are no better than 'a mongrel breed of circumcised low caste Hindus' After returning to their fundamental doctrines through their Reform movements, they had become dangerous, since, "a return to Mahommedan first principles means a return to a religion of intolerance and aggression", guided by the aim of "forcibly converting the world".

23 Tanika Sarkar, op cit. Although it may be added that there is a reaccentuation in Mukherji of an older strain of thought. For Mahesh Chandra Deb, one of the first of those who argued for a reform of the condition of Hindu women, an important imperative was: "...the most trying evil which they are obliged to undergo is the perpetual celibacy to which they are subjected. Many of them are young and beautiful and unable to subdue nature give way to those temptations which beset them on every side". However the consequent sin is that of killing illegitimate infants; it is not related to Muslims. 'A Sketch of the Condition of Hindoo Women', *Awakening in Bengal in Early Nineteenth Century (Selected Documents)*, Vol I, Goutam Chattopadhyaya (ed), Progressive Publishers, Calcutta, 1965, p 104

24 Maculay, for instance, proclaimed: "The physical organisation of the Bengalee is feeble even to effeminacy ..His pursuits are sedentary, his limbs delicate, his movement languid" Cited in Leonard A Gordon, *Bengal The Nationalist Movement 1876-1940*, Manohar Book Service, Delhi, 1974, p 6. Vivekananda was to exclaim that the basic problem with Indians was 'physical weakness', which was responsible for one-third of their problems. 'Vedanta in Its Application to Indian Life', *The Complete Works of Swami Vivekananda*, Vol III, Mayavati Memorial (ed), Advaita Ashram, Calcutta 1964.

25 The Jamalpur riots were associated with abductions from the very beginning; disturbances were apprehended during the 'ashtami snan' festival which involved ritual bathing by Hindu women. *Amrita Bazar Patrika* is specially mentioned as leading the province-wide campaign to highlight charges of mass violations of Hindu women, which were found to be untrue on investigation. What is interesting is the district magistrate's report which lists complaints filed by 'chaukidars' (watchmen), all of which feature allegations of abductions of Hindu widows These were again found to be false. West Bengal State Archives, Pol Confidential, No 514 of 1907

26 Thus Deb, for instance, in the passage cited above talks first about the 'utter misery' of the widows, op cit.

27 It is significant that the census states that out of a total of 949,144 persons in Calcutta and its suburbs, 615,419 were Hindus and 286,576 Muslims. The majority of the population (about 68.1 per cent) were immigrants—but 52.2 per cent of the 68.1 per cent came from Bengal itself, led by the 24 parganas J R Blackwood, *Census of India, 1901, Calcutta, Town and Suburbs, Part IV* Obviously neither set of figures could service Mukherji's arguments, which accounts for his reverting to impressionist calculations. The interesting thing here is of course the subtle opportunism of the argument that feels free to insinuate its inventions into authoritative citations.

28 Bandopadhyaya shows how the Namasudras started to take to settled agriculture and profitable occupations in the 19th century; in the latter half of that century Guruchand who became their ideologue and leader, produced an anti-brahmanical ideology that included elements of Vaishnavism, Christianity and a strong

moral imperative to self-improvement, op cit.

29 Mukherji is thus provided the opportunity to confidently make outrageous assertions, like the Muslims were more advanced in education than the Hindus

30 One such resolution read: "... [it is] simply owing to the dislike and hatred of the Brahmins, the Vaidyas and the Kayasthas that this vast Namasudra community has remained backward; this community has therefore not the least sympathy with them and with their agitation" Bandopadhyaya, *Social Mobility...*, op cit, pp 356-57

31 Namasudras and Muslims were engaged in riots in Khulna in 1889. Bigger riots broke out between them in 1911, 1923-25 and 1938. In 1908 however they made a common cause against the upper castes, being politically aligned in their opposition to the Swadeshi, ibid, pp 345-48. Further, while referring to the riots of 1906, Mukherji mentions the attack on the Rajbansis (and Hindu women, another ideal figure of Muslim 'oppression', as we shall see), but suppresses the antagonism articulated against the upper caste Swadeshi volunteers by low castes.

32 Hiteshranjan Sanyal, *Social Mobility in Bengal*, Papyrus, Calcutta 1981, p 36. There were of course powerful jati caste groups, such as the Kayasthas, who from the 19th century began to claim they were Kshattriyas.

33 Thus Vivekananda proclaimed: "The ideal at one end is the Brahmin and the ideal at the other end is the Chandala, and the whole work is to raise the Chandala up to the Brahmin." However Vivekananda recommended that this process should be a gradual one since he did not want it to introduce antagonisms within Hindus. Further, he did subscribe to the relative superiority of brahmins, stating that they had produced more people imbibed with brahminhood than other castes. 'The Future of India', op cit, p 295.

34 Sarkar, *Swadeshi...*, op cit, p 107

35 U N Mukherji, *Hindu Samaj*, Srikali Ghosh, Calcutta 1910.

36 There is a slight inaccuracy here, since it was 'pathshalas' (institutions of primary education) which provided the model for the Bell system, rather than tols, which were centres of advance study.

37 Mukherji derives this notion from 'adhikar bheda,' which permits the use of a multiplicity of paths to attain absolute realisation. It was normally used as a justification for caste (the rationale being that the duties of each caste was its 'path'). Ramkrishna, the reformer-divine of the latter half of 19th century Bengal, democratised the implications through individual example. The famous one, often cited by Vivekananda, was that of doing the 'untouchable' work of cleaning latrines. What we have in *HCC*, however, is another form of individuation of adhikar bheda, which transforms it into a pluralism that implies a freedom to choose one's beliefs, irrespective of social hierarchy, or the compulsion of ultimate realisation.

38 Sakharam Ganesh Deuskar, *Bangiya Hindujati Ki Dhangshanmukhe?*, 1910, Calcutta. Other details are given in Chakravarty, op cit, p 35

39 Op cit, pp 36-42.

40 Bandopadhyaya, op cit, p 424

41 Manindranath Mandal in his pamphlet quotes a letter from Das to the effect that Mukherji and he had been struggling unsuccessfully for 10 years in the caste reform movement *Bangiya Jana Sangha Bengal's Peoples Association ('Sanghashakti. Kallai Jugey')*, Satadalkanti Mandal, Khajuri village, Midnapore and Calcutta, 1923.

42 Satyajit Ray's film by the same name, where the plot brings Apu, the child of a slow paced rural society and a poor brahmin father, to the sense of possibility that characterises Calcutta.

43 Manindranath Mandal, *Banger Digindra naravan*, Sannyasicharan Pramanik, Burdwan, 1926

44 Digindranaravan Bhattacharya Vidyabhushan, *Jatibhed*, Serajegunje. The author, f pub 1912, rpt 1924. All citations are drawn from this edition.

45 A Namasudra meeting was held in 1917 (attended by 30 representatives, elected by two million Namasudras) which drew attention to zamindari oppression, declaring that any additional powers for a few leaders would "make the future progress of the backward classes impossible". It approved of the setting up of the committee, and declared its loyalty. Bandopadhyaya, op cit, p 460. Another conference in 1918 demanded 'communal representation' (following the Lucknow Pact model), ibid, p 234.

46 For extended discussions of the social impact of this belief, see Kumkum Sangari, 'Mirabai and the Spiritual Economy of 'Bhakti'', *Economic and Political Weekly*, July 7, 14, 1990 and Sumit Sarkar, ''Kali Yuga', 'Chakri' and 'Bhakti': Ramkrishna and his Times', *Economic and Political Weekly*, July 18, 1992.

47 Mandal informs us that he took the initiative to mobilise for a meeting of representatives of namasudra, rajbansi, poundra khattriya, jhalla malla (khattriya), saha, mali among other low castes, at Calcutta in February of 1922. It was decided to start

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an umbrella organisation of the low castes. Mandal spells out details of his encounter with Mukherji and Bhattacharya and dedicates his pamphlet to the latter *Bangiya* , op cit

48 Mandal, *Banger* ., op cit, reports that Bhattacharya was attacked by the orthodox brahman sabha, spearheaded by his own pupil clearly indicating the extent of animosity, that could even make an orthodox brahmin publicly challenge his teacher!

49 A comprehensive analysis of the underlying tenets of the 'kirtan' is available in Hiteshranjan Sanyal *Bangla Kirtaner Itihas*, K P Bagchi and Company Calcutta 1981

50 Rabindranath Tagore *Rabindra Rachanabali*, Vol 9 West Bengal Government, Calcutta, 1961, p 310

51 The preoccupation with the census has a long history in Punjab, starting from the Arya Samaj's objection to naming themselves as Hindus in 1883, followed by discussion of the alleged problem of declining Hindu numbers in Jammu and Kashmir in the 1890s Jones op cit, pp 86 88 Chand's later article, 'Self Abnegation ', dwelt on the decline of Hindu numbers as an index of Hindu weakness and Muslim strength and advocated the setting up of party devoted exclusively to Hindu interests ibid p 90

52 Richard Gordon, The Hindu Mahasabha and the Indian National Congress 1915 to 1926', *Modern Asian Studies* 9 2 19 5

53 Citations from these three texts are drawn from Saileshnath Sharma Bi *Hindu Samajer Bartuman Samashya* Addres of the Reception Committee at Serajgunje Provincial Hindu Mahasammilani, Sir P C Ray, *Faridpur Pradeshik Hindu Sabha* , *May 1925*, Bengal Chemical Press 1925 and *Bangla Hindu Jatir Khoy o Tahar Pratikar* Tangail Hindu Samaj Sanghrakshini 1924

54 This two part article appeared in *Amrita Bazar Patrika* on April 10 11 1925

55 For instance, even as the Provincial Mahasabha at Faridpur (which Sir P C Ray addressed) was deliberating, a meeting of 2,000 Namasudras was being held nearby to decide on conversion to Christianity Piyush Ghosh, who tried to stave off this embarrassment was not allowed entry into the meeting! *Amrita Bazar Patrika*, May 3 1925 On the other hand, the refusal of the Mahasabha leadership to extend caste questions beyond a point where they would anger the orthodox, led a radical Arya Samaji like Swami Shraddhanand to resign from the organisation Jordens, *Shraddhanand* , op cit, pp 154 57

56 An excellent discussion of Vidyasagar's reforms is available in Asok Sen *Ishwar Chandra Vidyasagar and His Elusive Milestones*, Riddhi India, Calcutta 1977

57 Op cit

58 The *Satyagrahi* claimed, "As a matter of fact some of these incidents are due to Hindu social usages, Hindu widows often entering into illegal relations with Muslim males When such an incident gets exposed Hindu social leaders fasten the blame on the untouchable despised Muslims and try to get him into trouble" February 28, Report on Native Newspapers and Periodicals, National Archives of India I am grateful to Indrani Chatte jee for drawing attention to this preoccupation in an unpublished paper where she demonstrates it as a form of rejection of social bondage by Hindu widow

59 Cited in the *The Indian Annual Register 1923* Vol II H N Mitra (ed), The Indian Annual Register Office, Calcutta 1925 pp 130 31

60 *Mohammadi* March 13, Report on Native op cit Its deduction gained substance from the results of an enquiry appointed by the authorities, which stated that between 1926 and 1928 incidents of abduction of Hindu women had been rising but that number of Muslim offenders in cases where victims were Hindus was not unduly higher than those of Hindu offenders No 535/29 Government of Bengal Political West Bengal State Archives

61 Significantly the first of this wave of such cases occurred in a village called Charbanaari in the Faridpur district, and those responsible were policemen, the women who were violated included Muslim widows, *Amrita Bazar Patrika* June 17 1923

62 Tanika Sarkar op cit

63 A typical story was one of Sheikh Issaq, who rented a house at Tollygunge His subsequent actions are represented in the following lurid plot "The accused having an eye on the handsome girl made himself very thick and thin [sic] as a worthy neighbour with the father' *Amrita Bazar Patrika* April 2 1925

64 Thus even in 1925 Rai declared in Calcutta that they did not want a 'Hindu Raj' and stated that "The correct thing for us to do is to strive for a democratic raj in which the Hindus, Muslims and the other communities of India may participate as Indians and not as followers of any particular religion", although his speech was all about strengthening the Hindus *Amrita Bazar Patrika*, April 12 1925

65 *Amrita Bazar Patrika*, August 9, 1922

66 He reportedly claimed that unless they defended their women, Bengalis would be condemned to destruction *Amrita Bazar Patrika*, April 25 1925 A similar life story can be seen in the case of Krishna Kumar Mitra who was a patron of the Anti Circular Society, which had openly kept away from the Shivaji Utsav (see above) because they felt it would be hurtful to their Muslim members In the 1920s, he emerged a major leader of the Women's Protection League

67 Ten days after he established the Bharatiya Hindu Suddhi Sabha in 1923, Shraddhanand issued an appeal entitled, 'Save the Dying Race' The second occasion was when he wrote *Hindu Sangathan, Saviour of the Dying Race* in 1924, after his retirement from Mahasabha activities it was published in 1926 Jordens, *Shraddhanand* op cit, p 131 and pp 151-57

68 'The Best Way ', op cit

69 *Amrita Bazar Patrika*, December 1, 1925

70 Ibid, April 7, 1925

71 Ibid, April 28 1925

72 Ibid, April 8, 1925

73 'The Study of Philosophy' *Selections from the Prison Notebooks*, eds and translated by Quintin Hoare and Geoffrey Nowell Smith International Publishers, New York 1 pub 1971 rpt 1983, pp 323 24

74 Ibid see footnote on p 326

75 Ibid p 324

76 Most of all, common sense is characteristic of subaltern consciousness (although indications exist that Gramsci visualises a more complex interrelationship with 'high' traditions than the simple one of qualitative distinction)

77 In a recent essay, Chantal Moulfe argues, The social agent is constructed by a diversity of discourses among which there is no necessary relation " 'Citizenship and Political Identity' *October 61*, Summer 1992, Massachusetts Institute of Technology Press Obviously, without evaluating the social referents of such discourses, neither the consent given to the latter, nor the ideological underpinnings of different kinds of identity can be explored

78 Bandopadhyaya, op cit, p 537

79 The Introduction to a recent collection of essays on common sense states, "An appeal to common sense is essentially an act of faith, the belief in the fundamental similarity of reasonableness of human beings" Beside putting all of common sense under a single rubric, what this enquiry ignores, is that while the notion of common sense is always appealed to as a consensual authority, the actual configuration of elements that make up a particular common sense formation may militate against a consensus even in the act of producing a collectivity Although Siegwart Lindenberg's article, 'Common Sense and Social Structure A Sociological View' does concede that it is not possible to achieve 'communality' in a society governed by power, this obviously rules out his belief that common sense is conceived as rooted in the 'uniformity of human experience the bias for the consensus approach however does not permit him to dwell on the implications of this irony *Common Sense The Foundations For Social Science*, Frits van Holthoon and David R Olson (eds), University Press of America, Lanham London 1987

80 Op cit pp 325 26

81 Common sense makes "one belong simultaneously to a multiplicity of mass human groups", op cit, p 324

82 There is obviously a disagreement here with some suggestions in Gramsci that common sense, that is the plurality of identities, can be replaced by the unitary orientation of 'philosophy' What seems a preferable exercise is to study how freedom to range across multiple identities can be assured, without losing the urge to pull their heterogeneity together for enacting change necessary for redistributing different forms of power

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BALANCE SHEET AS AT MARCH 31, 1993

(Rs in thousands)

	Schedule	As on March 31, 1993	As on March 31, 1992
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and surplus	2	93,925	38,992
Deposits	3	2,078,610	990,545
Borrowings	4	Nil	50,000
Other liabilities and provisions	5	133,580	84,431
TOTAL		2,308,115	1,165,968
ASSETS			
Cash and balances with Reserve Bank of India	6	531,711	148,586
Balances with banks and money at call and short notice	7	268,407	68,275
Investments	8	562,279	285,927
Advances	9	857,263	606,505
Fixed assets	10	19,223	16,894
Other assets	11	69,232	39,781
TOTAL		2,308,115	1,165,968
Contingent liabilities	12	143,045	595,352
Bills for collection		22,165	28,362
Notes on accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1993

(Rs. in thousands)

	Schedule	Year Ended March 31, 1993	Year Ended March 31, 1992
I. INCOME			
Interest earned	13	212,563	103,367
Other income	14	13,056	22,190
TOTAL		225,619	125,557
II. EXPENDITURE			
Interest expended	15	113,631	56,998
Operating expenses	16	20,323	15,006
Provisions and contingencies		46,013	41,477
TOTAL		179,967	113,481
III. PROFIT/(LOSS)			
Net profit for the year		45,652	12,076
Items relating to prior years.			
Head Office administration expenses		Nil	(4,554)
Profit brought forward		2,201	3,094
TOTAL		47,853	10,616
IV. APPROPRIATIONS			
Transfer to statutory reserves		9,131	2,415
Transfer to Other reserves		1,031	6,000
Balance carried over to Balance Sheet		37,691	2,201
TOTAL		47,853	10,616

The Schedules referred to above form an integral part of the Profit and Loss account.

Per our attached report
For DALAL DESAI & KUMANA
Chartered Accountants
Sd/-
MAHESH ASRANI
Partner

Bombay· June 28, 1993

ABU DHABI COMMERCIAL BANK LIMITED
Bombay Branch
Sd/-
AHMED SALEH AL BANNA
Chief Executive – India

Bombay. June 28, 1993

بنـــك ابوظبـــى التجـــارى المحـــدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with limited liability

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(Rs in thousands)

	As on March 31, 1993	As on March 31, 1992
Schedule 1—Capital		
(A) Capital		
Amount brought into India by way of start-up Capital	2,000	2,000
TOTAL	2,000	2,000
(B) Amount of Deposit kept with the Reserve Bank of India u/s 11 (2) of the Banking Regulation Act, 1949	12,100	7,100
Schedule 2—Reserves and Surplus		
I. Statutory Reserves (Reserve under Sec. 11(2)(b)(ii) of Banking Regulation Act, 1949)		
i) Opening Balance	5,140	2,725
ii) Additions during the year	9,131	2,415
	14,271	5,140
II. Capital Reserves Opening Balance	1,200	1,200
III. Revenue and Other Reserves [See note III]		
i) Opening Balance	30,451	24,451
ii) Additions during the year	10,875	6,000
iii) Deletions during the year	(563)	Nil
	40,763	30,451
IV. Balance in Profit and Loss Account	37,691	2,201
TOTAL	93,925	38,992
Schedule 3—Deposits		
A) I. Demand Deposits		
i) From banks	1,337	5,424
ii) From others	394,965	180,402
	396,302	185,826
II. Savings Bank Deposits	96,388	41,448
III. Term Deposits		
i) From banks	119,850	120,000
ii) From others	1,466,070	643,271
	1,585,920	763,271
TOTAL	2,078,610	990,545
B) I. Deposits of branches in India	2,078,610	990,545

(Rs in thousands)

	As on March 31, 1993	As on March 31, 1992
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	Nil	Nil
ii) Other banks	Nil	50,000
iii) Other institutions and agencies	Nil	Nil
II. Borrowings from outside India	Nil	Nil
TOTAL	Nil	50,000
III Secured borrowings included in I and II above	Nil	Nil
Schedule 5—Other Liabilities and Provisions		
I. Bills payable	7,527	4,828
II. Inter-office adjustments (net)	9,444	6,436
III Interest accrued	89,721	41,105
IV. Others (including provisions)	26,888	32,062
TOTAL	133,580	84,431
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	787	285
II. Balances with Reserve Bank of India		
i) In Current Account	530,924	148,301
TOTAL	531,711	148,586
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with banks		
a) In Current Accounts	56,710	56,493
b) In Deposit Accounts	Nil	Nil
ii) Money at call and short notice		
a) With banks	190,000	Nil
b) With other institutions	Nil	Nil
TOTAL	246,710	56,493

بنـــك ابوظبـــي التجـــاري المحـــدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسئولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(Rs. in thousands)

	As on March 31, 1993	As on March 31, 1992
II. Outside India		
i) In Current Accounts	12,772	11,782
ii) In other Deposit Accounts	8,925	Nil
iii) Money at call and short notice	Nil	Nil
TOTAL	21,697	11,782
GRAND TOTAL (I + II)	268,407	68,275
Schedule 8—Investments		
I. Investments in India		
i) Government securities	524,540	248,188
ii) Other approved securities	37,739	37,739
iii) Shares	Nil	Nil
iv) Debentures and bonds	Nil	Nil
TOTAL	562,279	285,927
Schedule 9—Advances		
A. i) Bills purchased and discounted	379,325	570,656
ii) Cash credits, overdrafts and loans repayable on demand	465,522	32,631
iii) Term loans	12,416	3,218
TOTAL	857,263	606,505
B. i) Secured by tangible assets	159,518	32,343
ii) Covered by Bank/ Government guarantees	Nil	Nil
iii) Unsecured	697,745	574,162
TOTAL	857,263	606,505
C. I. Advances in India		
i) Priority Sectors	60,308	3,864
ii) Public Sector	49,500	942
iii) Banks	Nil	80,000
iv) Others	747,455	521,699
TOTAL	857,263	606,505

(Rs. in thousands)

	As on March 31, 1993	As on March 31, 1992
Schedule 10—Fixed Assets		
I. Premises		
i) At cost as on 31st March	12,621	9,056
ii) Additions during the year	Nil	3,565
iii) Deductions during the year	Nil	Nil
iv) Depreciation to date	(1,706)	(1,305)
TOTAL	10,915	11,316
II. Other Fixed Assets (including furniture and fixtures)		
i) At cost as on 31st March	13,024	11,842
ii) Additions during the year	4,310	1,316
iii) Deductions during the year	(312)	(134)
iv) Depreciation to date	(8,714)	(7,446)
TOTAL	8,308	5,578
GRAND TOTAL (I + II)	19,223	16,894
Schedule 11—Other Assets		
I. Inter-office adjustments (net)	Nil	Nil
II. Interest accrued	37,206	7,645
III. Tax paid in advance/tax deducted at source	27,428	21,231
IV. Stationery and stamps	5	4
V. Others	4,593	10,901
TOTAL	69,232	39,781
Schedule 12—Contingent Liabilities		
I. Liability on account of outstanding forward exchange contracts	25,188	81,593
II. Guarantees given on behalf of constituents		
a) In India	15,327	27,474
b) Outside India	52,100	Nil
III. Acceptances, endorsements and other obligations	24,130	476,285
IV. Other items for which the bank is contingently liable		
a) Income tax disputed and in appeal not provided (including the effect on pending assessments) is estimated at: The Bank has fully paid the said amount	26,300	10,000
TOTAL	143,045	595,352

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(Rs in thousands)

	Year Ended March 31 1993	Year Ended March 31 1992
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	104,670	56,809
II Income on investments	82,785	13,887
III Interest on balances with Reserve Bank of India and other inter-bank funds	24,729	12,139
IV Others	579	353
TOTAL	212,563	83,236
Schedule 14- Other Income		
I Commission, exchange and brokerage	3,363	1,093
II Net profit on sale of investments	792	1,349
III Net profit on sale of land, buildings and other assets	(108)	70
IV Net profit on exchange transactions	9,009	7,228
V Income earned by way of dividends etc. from subsidiaries/company and/or joint ventures abroad/in India	Nil	Nil
VI Miscellaneous income	Nil	760
TOTAL	13,056	22,190
Schedule 15—Interest Expended		
I Interest on deposits	112,453	56,323
II Interest on Reserve Bank of India/inter-bank borrowings	722	431
III Others	456	244
TOTAL	113,631	56,998

(Rs in thousands)

	Year Ended March 31, 1993	Year Ended March 31, 1992
Schedule 16 - Operating Expenses		
I Payments to and provision for employees	6,191	5,494
II Rent, taxes and lighting	3,080	599
III Printing and stationery	1,097	672
IV Advertisement and publicity	459	304
V Depreciation on bank's property	1,813	1,527
VI Directors' fees, allowances and expenses	33	23
VII Auditors' fees, and expenses	90	75
VIII Law charges	188	608
IX Postages, telegrams, telephones etc	1,852	1,561
X Repairs and maintenance	2,022	1,512
XI Insurance	853	560
XII Other expenditure	2,743	2,071
TOTAL	20,323	15,006

بنـــك ابوظبـــي التجـــاري المحـــدود

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تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

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BOMBAY BRANCH

Schedule 17—Notes on Accounts

I. Principal Accounting Policies

1. General
The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.
2. Transactions involving Foreign Exchange
   i. Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year. Non-monetary assets have been carried in the books at the contracted rates.
   ii. Income and expenditure items have been translated at the exchange rates ruling on the date of the transaction.
   iii. Outstanding forward contracts have been revalued at the forward exchange rates prevailing at the close of the year.
3. Investments
   i. The investments in approved securities are classified into "Permanent" and "Current" investments.
   ii. Permanent investments are valued at cost.
   iii. Current investments are valued at lower of cost or market value. In the absence of market quotation, carrying cost is adopted consistently.
   iv. The broken period interest on purchase/sale of securities is treated as capital outlay/receipt.
4. Advances
   i. Provision is made in respect of identified doubtful advances to the satisfaction of auditors.
   ii. Further provision is made for doubtful advances
      a. in respect of advances with outstanding less than Rs. 25,000 at 2.5% on an *ad hoc* basis;
      b in respect of other advances based on Management's estimate of potential exposure.
   iii. Provisions in respect of doubtful advances have been deducted from advances to the extent necessary and the excess has been included under "Other Liabilities and Provisions".
   iv. In consortium advances, the accounts are classified as per the decision of the lead bank
   v. Advances are shown net of bills discounted with the Financial Institutions
   vi Interest on non-performing advances are classified as per the norms prescribed by the Reserve Bank of India and is not accrued
5. Fixed Assets
   i. Fixed assets are accounted for at their historical cost.
   ii. Depreciation is provided for on the written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956
6. Staff Benefits
The liability for gratuity benefits to staff has been calculated as per the actuarial valuation and paid to the approved Gratuity Fund of the Bank.
7. Net Profit
The net profit disclosed in the Profit and Loss Account is after:
   i. Provisions for taxes on income in accordance with statutory requirements.
   ii Provisions for non-performing advances
   iii. Provision for Head Office administration expenses for the year as advised by the Head Office.
   iv. Other usual or necessary provisions.

II. Changes in Accounting Policies

1. The entire investments in earlier years were valued at lower of cost or market price.
During the year, the "Current" Investments continue to be valued at lower of cost or market price and the "Permanent Investments" have been valued at cost. Thus, there is a change in the method of valuation of "Permanent Investments" from "lower of cost or market price" to "cost".
No provision is considered necessary for the difference at the year end between the book value and the market value of "Permanent Investments" of Rs. 4,693 (000's) since these investments are intended to be held upto maturity.
2. The method of income recognition in respect of non-performing advances and provisioning thereof has undergone a change during this year due to norms prescribed by the Reserve Bank of India.
3. Foreign currency forward contracts have been translated at the forward rates instead of spot rate as in the previous year.
4. The impact of these changes on operational results for the year is not material.

III. Revenue and Other Reserves

1. Include Head Office Reserves of Rs. 33,255 (000's) which represents funds remitted by Head Office/retained from repatriable profits to meet the cost of acquisition of residential premises, deposit/advance licence fee of Bank premises at Bombay, etc. as per Reserve Bank of India's guidelines.
2. Deletion from reserves of Rs. 506 (000's) represents transfer from investment allowance reserve and is included in addition to General Reserve.

IV. As of 31st March 1993, the bank's risk weighted capital ratio was 9.93%.

V. The previous year's figures have been regrouped/rearranged wherever necessary.

Sd/-
AHMED SALEH AL BANNA
Chief Executive – India

Bombay
June 28, 1993

بنـــك ابوظبـــي التجـــاري المحـــدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

Auditors' Report on the Accounts of the Bombay Branch of Abu Dhabi Commercial Bank Limited

We have audited the attached Balance Sheet of the Bombay Branch of Abu Dhabi Commercial Bank Limited (incorporated in the United Arab Emirates with Limited Liability), as at 31st March 1993 and the Profit and Loss Account of the Bombay Branch of the Bank for the year ended 31st March 1993 annexed thereto.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Section 211 of the Companies Act, 1956.

We report that:

1. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit and have found them to be satisfactory;

2. the transactions which have come to our notice have been, in our opinion, within the powers of the Bombay Branch of the Bank;

3. in our opinion, proper books of account as required by law have been kept by the Bombay Branch of the Bank so far as appears from our examination of these books;

4. the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

5. in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, read with notes thereon particularly, Note II regarding changes in accounting policies give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March 1993 and of its profit for the year ended on that date.

For DALAL DESAI & KUMANA
Chartered Accountants
Sd/-
MAHESH ASRANI
Partner

Bombay
Date: June 28, 1993

Paradox of Competitiveness and Globalisation of Underdevelopment

Kalyan K Sanyal

Probing the theoretical content of the concept of competitiveness, the author argues that it has a very deceptive appearance and as a result is easily misunderstood. Hidden under its apparent simplicity there are many complex facets, failure to recognise and take account of which may result in the wrong kind of globalisation. Given the structural characteristics of a typical less developed economy, it is essential that the notion of competitiveness is grasped in its full complexity before an appropriate reform package is presented. Unfortunately, there are reasons to suspect that this awareness is particularly lacking in the current Indian context.

He said 'I hunt for haddocks' eyes
Among the heather bright,
And work them into waistcoat-buttons
In the silent night.
And these I do not sell for gold
Or coin of silvery shine,
But for a copper halfpenny
And that will purchase nine

—Lewis Carrol, *The White Knight's Song.*

IN justifying the structural reforms that are being introduced in the Indian economy, the advocates of these reforms have brought the question of competitiveness to the centre of the discussion. Their argument runs as follows. The Indian economy needs to be integrated to the world economy. Globalisation requires that the Indian producers be competitive in the global market. It is only through these reforms that they can acquire the competitiveness and therefore the reforms are essential prerequisites for successful globalisation. The word competitiveness has become almost a refrain for the chorus; whatever is being done is in the interest of competitiveness.

In this essay, I shall address the question of competitiveness in the context of an underdeveloped economy and try to figure out its implications for the globalisation strategy. What I want to make clear at the very outset is that it is not my purpose to offer a critique of globalisation as such. My purpose rather is to probe the theoretical content of the concept of competitiveness to point out that it has a very deceptive appearance and as a result is easily misunderstood. Hidden under its apparent simplicity there are many complex facets, and failure to recognise and take into account these complexities may result in the wrong kind of globalisation. Given the structural characteristics of a typical less developed economy, it is essential that the idea of competitiveness be grasped in its full complexity before the appropriate reform package is presented. Unfortunately, there are reasons for one to suspect that in the Indian context, this awareness is particularly absent.

Determinants of Competitiveness

The notion of competitiveness is generally understood in terms of the price at which the seller offers his product in the market. He is competitive if his price is lower than the price charged by his competitors. To the extent that price depends on the cost of production, competitiveness in turn gets reduced to the ability to produce the commodity at a lower cost. In the global context, therefore, a country's competitiveness in certain lines of production means its ability to supply those products at a price that no other country can undercut, i e, it can produce those products at a lower relative cost.

But looking at the question of competitiveness exclusively from the price and cost of production angle may be dangerously misleading, particularly so in the context of a less developed economy. Because the possible factors that may contribute to a lower cost of production are varied and many, and not all of them reflect the strength of the economy. On the contrary, it is the weakness of the economy that often manifests itself in an apparent cost efficiency. In a less developed economy, the very elements that constitute its underdevelopment sometimes provide the economy a competitive edge by allowing it to produce certain commodities at a relatively lower cost. Put differently, while the strength of an economy does get reflected in cost efficiency, the converse is not true. And if the analytical focus remains confined to mere cost comparisons and price advantage in the domain of the market, the complex nature of the determinants of costs remain out of sight. This may have far-reaching implications for the process of economic development. But before I elaborate along this line, let me take a quick look at how the mainstream theory of international trade has dealt with this problem.

Much of the traditional trade theory is devoted to seeking an answer to the question of what makes a country competitive in certain products in the global market, i e, what are the determinants of its cost efficiency? Ricardo's explanation located the basis of competitiveness in technological differences. According to the Ricardian notion of comparative advantage, competitiveness of a country is the reflection of its technology which permits it to produce a particular good at a lower relative cost. Different technology for Ricardo meant different climatic and environmental conditions which made each country a relatively more suitable place for the production of certain goods. What is more important is that competitiveness in the Ricardian theory is independent of whether the country has a technology that is superior/inferior in the absolute sense. Thus, a country may have a technology that is inferior compared to its competitor in all lines of production, yet it will be competitive in those goods in which its technological disadvantage is relatively less. To put it more rigorously, the Ricardian theory claims that even if a country is backward in every activity, it will still find at least one activity in which it can compete efficiently in the international market.

While technology does explain competitiveness in case of what the trade theorists call the 'Ricardo goods', it fails to provide an explanation of competitiveness in case of those goods for which the trading countries share the same technology, i e, goods that are not location specific. A different line of enquiry within the mainstream theory has looked for a determinant of competitiveness in something other than technology. Known as the Heckscher-Ohlin approach, it identifies the relative availability of factors of production as having an influence on the relative cost of production. According to this approach, a country that has a large supply of one factor relative to its supply of other factors is said to be abundant in that factor, and the relative cost of production of the good which uses the abundant factor more intensively, other things

being the same, will be lower in that country, despite the fact that technology is identical across countries. The Heckscher-Ohlin explanation of competitiveness thus locates the determinants of cost efficiency in the structure of endowments.

These two explanations of competitiveness, however, do not exhaust the set of possible cases. It is a fact that a large part of the world trade flows occur among countries that are more or less similar in terms of both technology and the composition of endowments. The Ricardian and the Heckscher-Ohlin explanations are both inadequate for providing an answer to the question of what determines competitiveness in these cases. Recent developments in trade theory have looked for the answer in a number of factors such as the increasing returns to scale and product cycles.

As my chief concern here is the question of competitiveness in the context of less developed economies which are very different from their developed counterparts in terms of both technology and endowment structure, I shall confine the focus of the discussion to the first two determinants. What should be noted is that in both the Ricardian and the Heckscher-Ohlin theory, competitiveness is rooted in a set of initial conditions. It is seen as arising out of the state of technology or factor composition which are conditions a country starts with. Globalisation allows the country to specialise according to competitiveness and alter the division of labour but the alteration must take place within the same initial conditions. But once situated within the context of development, a tension arises between these theories of competitiveness and the content of the development process. In an underdeveloped economy, since it is these initial conditions that constitute its underdevelopment, competitiveness may be grounded in underdevelopment itself. On the other hand, economic development is radical transformation of these initial conditions. The process of development is meant to systematically undermine these conditions to create a new set of conditions within which self-sustained growth can occur. Thus, competitiveness grounded in underdevelopment gets eroded away as the economy develops. In other words, economic development erodes the basis of the competitiveness that an economy may enjoy simply because it is not developed. The implication of this is that if an underdeveloped economy globalises on the basis of such competitiveness, then the change in the division of labour that it entails has the tendency to be antithetical to the development process—by reinforcing the initial conditions, it may in effect reinforce underdevelopment itself.

Competitiveness and Underdevelopment

What is the nature of the competitiveness that arises out of backwardness? In exploring this question, I shall consider two broad classes in which the possible cases are likely to fall. First, consider the factor cost explanation presented by the Heckscher-Ohlin theory. The central feature of underdevelopment is the existence of a vast pool of surplus labour living in abject poverty. The wage rate at which these people offer their labour power is so low that it can make an entire range of activities competitive in terms of the relative cost of production, despite the fact that the technology used in these activities is much inferior compared to other countries. Not only can these activities stand the test of the market, they can even compete out similar activities in the developed countries. And if competitiveness is seen only from the price-cost angle, it will totally keep out of sight the fact that this cost efficiency, instead of reflecting the strength of the economy which development is supposed to generate, reflects its weakness that is associated with underdevelopment. It rests on poverty which is an antithesis of development.

What is not recognised in the popular understanding of competitiveness is that there may be an element of what is called 'distress sale' in the determinants of cost of production. What is more important is that it is not a mere special case that can be readily assumed away. In the case of a less developed economy, this element systematically permeates into the structure of costs and there is hardly any mechanism built into the market which can differentiate persistent distress sale from cost efficiency resulting from better technology and higher productivity. The market has a strong tendency to lump these fundamentally different cases together and treat them at par in its ranking. The important information that gets lost in the process is that while two activities producing a commodity may be equally cost efficient, they may have totally different content when judged in relation to the problematic of development.

Take, for instance, the carpet manufacturing sector of India or the garment sector of Bangladesh where imported cut cloth is sewn. Both these sectors are notorious for their use of child labour. Their competitiveness results largely from an infinitely elastic supply of child workers who can be subjected to primitive labour processes. Yoking these children to these inhuman labour processes does not require coercion as it did in the case of slavery. But what is a better instrument of coercion than poverty? Ironically, the slaves, as it is well known today, thanks to the historians, were fed well by their masters because they were the latter's property. In today's market for child labour, the employer does not have to bother about the health and nutrition of the children he employs, for there is a huge pool of such children waiting outside the factory gate. The information that one gets about these labour processes makes one wonder about the relevance of the concept of efficiency wage in the context of these activities; the downward flexibility of subsistence consumption is simply amazing. Producers of many sophisticated goods in the developed countries have the final processing of these goods done in the less developed regions of the world. The basis of such vertical specialisation are cost calculations that explicitly take into account the existence of cheap unskilled labour in these regions. Even the standard textbooks on neoclassical trade theory clearly recognises that these cases do not reflect any genuine competitive advantage; they are a mere reflection of the concentration of poverty in certain parts of the globe.

The element of distress sale can influence the cost structure in a rather complex way. Production of a commodity requires many inputs which the producer has to purchase in the market. The producer may not be engaged in distress sale in the market in which he sells his product, yet distress sale may occur in any of the markets in which he purchases these inputs. It may occur in the labour market in which case the advantage accrues directly to the employer in the form of low wages, or it may occur in the market for other non labour, material inputs where the sellers of these inputs may have to sell at a very low price. Again, the production of these inputs requires in turn another set of inputs including labour. Thus, the seller who sells an input to the producer of the final product may not be in a very weak bargaining position *vis-a-vis* the latter, but distress sale may still occur in any of the markets in which he purchases the inputs he needs. As one probes through these layers of production and exchange, one may find that the site at which the distress sale occurs is far removed from the production of the commodity whose competitiveness is being measured. Yet the cost advantage arising out of distress sale can transmit itself through all these layers

along the vertical spectrum of production to ultimately influence the cost structure at the final end of the spectrum

Apart from distress sale, there is another type of competitiveness generated by backwardness It is linked with the relationship between technology and the environment which is a widely discussed topic these days Production of certain commodities requires technology that causes depreciation of the environment at a very high rate which not only affects the quality of life adversely but in the long run, undermines the conditions of social production itself As long as the producers are not made to pay for the damage, the environmental cost does not figure in the cost of production calculated by them But strong preference for an unpolluted environment leads to the recognition of these externalities as cost borne by the society and in turn forces the producers to include them in their private cost calculations

Now consider two countries, one advanced(A) and the other backward(B) Suppose B operates with a technology that is uniformly inferior in all lines of production compared to the technology A has access to Furthermore, assume that the degree of B's technological inferiority is the same in all activities That is to say that the cost of production (measured in terms of real resources) in B is x per cent higher than what it is in A for each and every good In this case, the relative cost of production is the same in the two countries despite their technological differences and none enjoys any comparative advantage There is thus no basis for any trade to take place Trade however would have taken place if the degree of inferiority were different for different products in B, then B would have had comparative advantage, i e, a competitive edge, in those goods in which it was relatively less inferior Now if A has a stronger concern for the environment than B, then this asymmetry is likely to produce a comparative advantage for B in those lines of production in which the environmental cost is high, despite its general inferiority in terms of technology To turn the coin over, A would in this case enjoy a comparative advantage in those lines of production in which such costs are low And this pattern of competitiveness will stand the test of the market If the task of deciding who produces what is left entirely to the judgment of the market then B will devote more of its resources to the production and export of those goods which inflict severe damage on its environment while A can safely engage in the production and export of 'environment friendly goods Such specialisation involves high long run cost for B which may be unperceived now but may seriously thwart the development process in future There is hardly any mechanism in the market that can differentiate such perverse competitiveness from genuine cost efficiency On the contrary the market has a strong tendency to support a very unequal distribution of the environmental costs Its ranking, based exclusively on the private cost of production, would militate in favour of locating the production of 'dirty goods' in the backward regions of the world and the 'clean goods' in the advanced regions

Indeed, it is possible to discover in the much discussed Dunkel Draft certain indications of the emerging international division of labour If developed countries are to specialise in clean activities such as R and D, banking and insurance, leaving the unclean industrial activities to the NICs, then protection of patent rights and removal of barriers to trade in services are its essential pre condition Hence the Draft's thrust for the establishment of the intellectual property rights and free international mobility of services

Colonial history has on record the enormous environmental costs that today's developed countries inflicted over centuries on their former colonies The problems such as barrenness of land, soil erosion and recurring drought that haunts these regions today can to a large extent be traced back to the unrestrained and ruthless depredation of the natural resources by the colonisers for commercial interest But while pointing an accusing finger to the past rulers of the colonies, one should not lose sight of a more important fact even in the presence of independent nation states, location of production activities determined by the 'objective and impartial' forces of the market may entail the same type of economic order which will pollute one part of the global space to keep the other part clean The law of supply and demand can indeed achieve what in the past was made possible by brute coercion

Of Gains and Losses

It will however be totally wrong to take these arguments to mean that the claim that trade according to market based competitiveness leads to mutual gains is false There is nothing contradictory between static gains from trade and loss in terms of development potential Even when specialisation is based on competitiveness that is symptomatic of backwardness, rearrangement of production within the same initial conditions does lead to an enlargement of the set of alternative consumption bundles that the country can have access to Thus, when production of the 'dirty goods' expands, B gains in terms of real income, but what is important is that this gain may be at the cost of long term development If India and Bangladesh exports more carpets and garments, that will certainly generate more income, but this increase in income will be associated with an expansion of child labour and low wage low productivity employment which precisely are features of backwardness that the development process is supposed to transform In fact, such specialisation often produces interesting paradoxes For example, if the hearts of the western consumers suddenly start bleeding for the children of a lesser god working in the factories of the third world it may jeopardise the export of such commodities Recently campaigns in the west against products that use child labour and the attempt to force the employers to ensure the health and nutrition of the children have raised the fear that many such export industries will cease to be 'competitive'

At this point I want to distance the line of argument I have pursued so far from the conventional radical analysis of north south trade. The structuralist/neo Marxist critique of free trade rests on two main arguments One of these, associated with Prebisch, asserts that the relative price between primary and manufactured products has a tendency to move against the former in the long run [1] As south's export consists mainly of primary products, while the north exports manufactured products, this tendency means a secular deterioration of the terms of trade for the south, leading to a loss of real income. Hence the necessity for import substitution The other argument, first presented by Emmanuel, claims that trade between north and south involves an unequal exchange in favour of the former even when the movements of the terms of trade over time are ignored [2] In the presence of international mobility of capital, the pattern of trade between the low wage south and the high wage north results in a divergence between prices and labour values, price of south's (north's) exports underestimates (overestimates) the embodied labour value, leading to a transfer of value from the south to the north

Conclusive empirical evidence in support of the Prebisch hypothesis is difficult to find, besides, the pattern of trade between the north and south today hardly conforms to what Prebisch had in mind manufactured goods do figure prominently

in the export baskets of the less developed countries today. It is also well established now that Emmanuel's theoretical construction suffers from serious internal inconsistency.[3] But apart from these criticisms, there is a more fundamental problem with these approaches. They locate the essence of the north-south trade exclusively in the domain of exchange; as a result, for both Emmanuel and Prebisch, trade means a one-way transfer of real income which they counterpose with the standard neoclassical gains from trade argument. But this emphasis on the terms of trade has completely left out of focus a far more important aspect of the north-south trade: the possibility that the market dictated patterns of specialisation and consequent international division of labour, while generating static gains, may ultimately result in extremely uneven development. There is no need to interpret the propositions that trade between unequal partners further aggravates inequality in terms of a transfer of real income; such an interpretation is theoretically unsustainable. The same proposition can be interpreted in a far more meaningful way if the focus is shifted on the possibility that trade arising from competitiveness based on the initial condition may reinforce backwardness.

The problem I have addressed here is not totally alien to mainstream economics. Within the conventional trade theory, there is a large literature that deals with the problem of distortion. If there are distortions in the economy, prices do not reflect the true social costs. In textbook language, the price line then is not tangent to the production possibility frontier. As a result, prices provide wrong signals and international specialisation on the basis of these prices may lead to misallocation of resources, resulting in a loss of real income. Direct government intervention is then required to restore optimality.

Now consider a country that has comparative advantage in one good. Suppose that there is a wage differential and the sector with comparative advantage has to pay a relatively higher wage rate compared to other sectors. If the wage differential is sufficiently pronounced, then it may outweigh the comparative advantage and the cost of production of that good may turn out to be higher than what it is in the other country. Trade according to market-based calculations then will lead to the wrong kind of specialisation.

It is possible to interpret the cases I have discussed as cases of distortions, calling for appropriate intervention. But the problem is that the analysis of distortion in the mainstream literature has been done mainly in a static context. Once it is placed in the context of development, the true social cost of an activity has to be calculated after taking into account its relation to the development process. In other words, the social cost of an activity must reflect its evaluation with respect to the developmental goals before the society.

Long Term Competitiveness

Long-term competitiveness depends on productivity and nothing else. Contrary to popular perception, it is independent of such macro-economic variables as the exchange rates, budget deficits or interest rates. Germany and Switzerland have enjoyed steadily growing competitiveness, and hence rising standard of living, in the face of appreciating currencies. Japan, Italy and South Korea have all had large budget deficits, Italy and Korea have had high interest rates as well, yet their competitiveness has not suffered. In fact, one can move a step ahead and claim that competitiveness is not reflected in the share of exports either. There are examples of countries which have enjoyed rising standard of living as a result of competitiveness while their share of exports in the national income have remained unchanged or even declined. If the export basket consists of both dynamic high-productivity industries and backward low productivity industries, restructuring export in favour of the former may lead to higher standard of living even if it means a fall in the share of exports as a whole. Conversely, the export basket may change in favour of the static, low productivity sectors along with a rise in the overall share of exports. In such cases, the prospects of acquiring long-term competitiveness and a higher standard of living is adversely affected despite an apparently impressive performance on the export front. The point is that it is not export as such but truly competitive export that matters. Thus, a less developed country may enjoy an increase in export but the increase may be at the cost of its more dynamic sectors.

It is important to understand the relationship between the exchange rate and competitiveness in this context. Depreciation of currency does provide a competitive edge to the exporters but it is only a very short-term gain. Since it is not backed by an increase in productivity, it cannot be sustained over time. Besides, the gain is essentially of a zero sum nature; it is obtained at the expense of other countries selling the same product in the international market. If they in turn depreciate their currencies, the edge eventually vanishes. But on the other hand, since it provides across-the-board incentive to all exporters, depreciation has a strong tendency to encourage the low productivity sectors based on perverse competitiveness. While there may be many good reasons behind a country's decision to let the currency depreciate, long-term competitiveness is certainly not one of them.

Import substitution is criticised on the ground that protection of import competing sectors inevitably leads to protection of inefficient industries which are unable to stand up to foreign competition, resulting in wastage of the economy's scarce resources. There is no criterion, the argument goes, on the basis of which the state can distinguish between industries that deserve assistance (in the sense that they can make use of the assistance and become competitive) from those which do not. The state certainly can make mistakes, more often than not it does, but what needs to be stressed at the same time, especially in the context of the less developed economy, is that the possibility of such wrong selection is not ruled out when things are left entirely to the judgment of the market. State control may not be inimical to the perpetuation of low productivity activities, but then nor is market.

If it is productivity that determines long-term competitiveness, it is innovation and technical progress that determine productivity. What then are the factors that combine to generate a dynamic process of innovation and technical progress that produces the competitiveness of a nation in certain areas of production? This is the theme of a recent book by Michael Porter of the Harvard Business School.[4] Porter is no radical; an economic advisor to the Reagan administration and a number of well known multinationals, he is an economist of conservative persuasion. Yet, on the basis of an enormous amount of empirical work, he has warned against the wrong kind of globalisation that the less developed countries may get into if they put all their faith in the market-based ranking of the industries. The most important finding that Porter reports is that whenever genuine competitiveness has been achieved by a country, it has been achieved by overcoming the initial conditions in which the country found itself in the beginning. South Korea started its journey in the 1950s as a capital poor country, yet in less than 30 years, it has emerged as an efficient producer of such capital-intensive goods as steel and automobiles. The case of the cut-flower industry in Holland is also an interesting example. A cold and grey country, Holland does not seem to be a particularly suitable place for growing flowers. However, pro-

partly in response to the inhospitable climate, Holland has developed over a century extremely sophisticated glass house growing techniques that have created a sustainable competitive advantage in that industry.

In the process of acquiring long-term competitiveness, according to Porter, a nation passes through a number of stages. The initial stage is characterised by factor cost-based competitiveness that arises out of the basic factors that a nation finds itself endowed with. Extremely fragile in nature, such competitiveness, he argues, makes the nation dependent on low productivity activities and thereby delimits the standard of living. The second stage is associated with investment-based competitiveness in which human and non-human capital leads to competitiveness in areas that were unattainable in the first stage. Being backed by higher productivity resulting from investment, competitiveness in this stage can support a rising standard of living. To sustain and further improve it, a country has to move to a third stage in which competitiveness arises out of the ability to innovate and introduce new products and product designs. (South Korea, according to Porter, has exhausted the possibilities of the second stage and is about to enter the third.) In short, sustainable advantage demands that its sources be upgraded and expanded by moving up the hierarchy of stages, i e, moving from less to more sustainable types of sources. Among the factors that contribute to this movement, Porter isolates investment in infrastructure and education, domestic rivalry among firms, a large home market and a national commitment to success.

Porter's analysis militates in favour of approaching the question of globalisation of a less developed country with much caution. He does not deal with such sources of competitiveness as child labour or absence of environmental concern, but all these factors are likely to work as determinants of competitiveness of a less developed country in what he calls the first stage. Globalisation on the basis of the existing structure of competitiveness endorsed by the market, unless accompanied by an ongoing process of investment-driven restructuring of the economy, will then have a strong tendency to perpetuate a structure of fragile, fleeting competitiveness. In fact, the international division of labour that globalisation will entail may actually thwart any dynamic process leading the economy to the second stage. For globalisation may favour those industries which are essentially static and primitive, pushing the relatively more dynamic industries to the background because they may be at this point unable to stand the test of the market. And this will be the globalisation of underdevelopment—the integration of underdevelopment itself to the global economic order.

CONCLUDING REMARKS

Behind the cost of production of every commodity, there is a story. It may be a story of innovation, technical progress and modern labour process, or it may be one of sweated labour, primitive labour process and pollution. By putting a price sticker on all commodities, the market suppresses these stories, and thus hides more than it reveals. It is like one of those dark nights in which all horses appear grey.

No country today can live behind closed doors as China did till the middle of the 70s or Albania till yesterday. Third world countries therefore must globalise. But while attuning the economy to the needs of the global market, it should be kept in mind that globalisation does not generate the process of development, it is the latter that leads to, and in turn is reinforced by, successful globalisation. Unless the process of development—which is basically a highly localised process—is successfully triggered off, globalisation may lead to the ossification of the structure of underdevelopment, instead of causing its dissolution.

Notes

1 See R Prebisch, 'The Economic Development of Latin America and Its Principal Problems', *Economic Bulletin for Latin America*, Vol VII, No 1, February 1962.

2 See A Emmanuel, *Unequal Exchange*, New Left Books, 1972.

3 A theoretical critique of Emmanuel's construction can be found in A Brewer, *Marxist Theories of Imperialism. A Critical Survey*, Routledge and Kegan Paul, 1980.

4 Michael E Porter, *The Competitive Advantage of Nations*, Macmillan, London, 1992.

DISCUSSION

Discourse and Practice

Niranjan Phukan

ANDRE BETEILLE's review of Amartya Sen's *Inequality Reexamined* (*EPW*, April 17) betrays ideological prejudices against the very ideal of equality in the name of scrupulous academic rigour. In a country like India where democratic values have not yet struck deep roots—indeed have been systematically subverted—such views among the higher academic echelons have disturbing implications. Indeed, while Beteille promotes the notion that liberty is not incompatible with equality, he has failed to read in contemporary events the clear lesson that here in India today the pursuit of equality is a condition of liberty. The line of thinking advanced by Beteille, if left unchallenged, may have an impact on the formulation of vital social policy, and put a brake on the growth of democracy in the country.

It is interesting that Beteille divides discussions on equality into two general trends—the prescriptive and the descriptive. The prescriptive school deals with what ought to be, and the descriptive school with what actually prevails in the world. While Beteille cavils at Sen's discussion for not telling us "what we can do to bring the preferred social arrangement into being", he himself makes the mistake of treating equality as an abstraction and not as a programme of social action conditioned by history and developing through ceaseless struggle.

I have not read Sen's book and am therefore in no position to question if Sen also handles a reified abstraction detached from history. Even so, he at least seems to conceive of it as a grand ideal motivating programmes of social reform throughout history. If this ideal is abandoned as utopian, the very idea of affirmative action by the state will have to be dismissed as pointless. In view of the fact that even the Constitution of India takes a few preliminary steps in that direction, Beteille's perspective must be characterised as profoundly reactionary.

As a libertarian he applauds Sen for affirming that liberty is not opposed to equality, as even libertarians are supposed to desire equal liberty for all. This statement may be formally correct enough, but in substance it has rather different implications. This 'equal liberty' is delimited in practice by the relative share of the parties in wealth and power. A poor labourer cannot expect to get justice from the court because he cannot afford the expenses of legal action in capitalist society. Thus equal liberty is invoked to camouflage the actual fact of unequal claims to justice. If one turns Beteille's proposition upside down, one has the much less debatable notion that equal resources make for equal scope for liberty.

Of course, right from the origin of modern democracy approximations to the ideal of equality have only been gradual and conditional. It is instructive to recall that even the inalienable right to vote (one man, one vote, etc) had initially been restricted to property-owners. The levellers had denied it to 'servants', i e, wage-earners. Equality therefore has depended on the stage of social growth. At the present moment in India it need not prescribe a utopian equality between university professors and teachers of primary schools (though of course ministers and drug

mafia have much more in common today than 30 years ago), but only equal availability of drinking-water, medicine, educational opportunities and certain elements of social justice

But Beteille draws from Sen's discussion of "the pervasive diversities that affect the relations between the different spaces" the further conclusion that we cannot have equality in every space, and very little is to be gained by repeating such catch phrases as 'all men are created equal' Hidden in this politic and polite bow towards diversity there may well be a special pleading for the *status quo* No one in his senses would advocate equality of status for parents and children, doctors and patients, teachers and students But it is also a fact that in recent decades there has been a great erosion of patriarchal mores in these relations and dialogue is more and more replacing command in those spheres of human interaction The folly of equating diversity with inequality is revealed when gender difference is used to support unequal status Equality after all is a juridical concept, while diversity is factual The great mistake lies in twisting the factual to yield a juridical statement Equality in India at this moment prescribes equality of opportunity and treatment status and right, regardless of diversity in gender, caste, religion and race Further, individual diversities are irrelevant in this discourse of equality which does not threaten such diversities

Beteille's reactionary bias is exposed when he argues that any social arrangement which is conceived as different from a mere aggregation of individuals may lead to inescapable inequalities As he says, "we may equalise a great many things among the individual members of a society but still be left with an arrangement having unequal positions" The fallacies in this argument are
(1) There can be no conceivable social arrangement without constitutive inequality
(2) Such constitutive inequalities sanction the practical inequalities imposed on members of given societies by the economic, social, political and ideological structures of such societies

Primitive social formations permit a greater degree of equality in spite of the rise of different permanent social functions And those who criticise inequalities in present society look forward to a future where institutions will work for a decisive reduction of such inequalities

But then it is said that inequality in 'social arrangements' is an 'unalterable fact of life' Such an assumption will definitely reduce the urgency and momentum of social reform aiming at improvement in the lot of the dalits, women, and Muslims in this country It also flies in the face of historical experience As Ambedkar has pointed out, the most authoritative brahminical statements like the *Gita* and the *Manusmriti* absolutely deny to the Shudra the *right* of worship What he may at best hope for is worship on his behalf by a member of the priestly caste The medieval Bhakti movement, on the other hand, especially in its radical versions categorically confers on the Shudra this right to address god directly If breakthroughs in such momentous spheres are possible, it is too faint hearted to assume that inequalities fostered by less rigid systems and ideologies cannot be eradicated

In this connection Beteille draws our attention to the operation of relative social esteem/evaluation on different callings as well as on different members of the same profession Such differences do not have juridical authority and lead at most to gradations of deference, prejudice and prestige They have something to do with degrees of skill and personal achievement, which do not amount to discrimination or oppression and sometimes these rest on something as ephemeral as snobbery (Consider the prejudice against veterinary surgeons derisively called vets until recently!)

Beteille's authoritarian bias naturally picks out the university as an institution that enshrines the norm of inequality The ranks among teachers do not, according to him, represent discrimination, repression or injustice, but hierarchies of excellence and merit But if one takes a closer look one is not so certain For one thing, it may be difficult to evaluate and grade different factors like originality, sound scholarship, communicative skill, dynamism, initiative, experience and prudence And does the professor necessarily have a quicker mind greater insight, wider erudition than the lowly lecturer? Even if we cross these hurdles, how justified are we in accepting for professors more than advisory authority in major academic decisions? Is not the university primarily a co operative community devoted to pursuit of scholarship and research? If that is so academic excellence may be seen less as a private property than as an incidental and socially useful product of such co operation That it has degenerated into a mechanical hierarchical institution in the service of the state and capitalism in recent times is no secret The inequalities it enshrines these days are not always identical with degrees of excellence or achievement In fact excellence is more often travestied than embodied in them

These examples then pose the question of the effort to eliminate inequality and promote equality Beteille raises the question of the *use* of power to realise egalitarian values But "the libertarian fears that the power that is used in the cause of equality contains within itself the seeds of new unknown, and perhaps more sinister forms of inequality" To be sure that happened in the now defunct Soviet Union But should that be invoked as a bogey to stall state action or militant movement to realise ever greater degrees of equality? After all, there is no logical connection between use of power and growth of sinister power elites In any case, now that we are warned we may also contemplate action to minimise the dangers But it will not do to rule out equality as a viable ideal and compromise with a demonstrably rotten actuality

Understanding Capitalism

Ajit Roy

THIS refers to certain concepts, categories and statements in Arun Ghosh's 'Random Reflections based on C J Kurien's *The Economy An Introspective Analysis* (*EPW*, January 2 9), irrespective of the fact whether the concepts, etc, are Ghosh's own or they are attributed to Kurien

The concepts, etc, in question are sometimes explicitly and sometimes implicitly claimed to be 'simplified' or 'lucid' restatements of basic ideas of Marx's political economy According to the present writer, however, simplified, sometimes indeed over-simplified, these statements mark clear departures from the essential Marxist positions and are misleading for a proper understanding of the capitalist economy and, therefore, also for the struggle for the abolition of the capitalist order What follows is a selective discussion of some of these points of departure

First, while Marx concedes that all sorts of generalisation are logically (rationally in Marx's word) permissible, such exercises may sometimes blur the essential character of a historically specific phenomenon One such instance is the definition of economics cited by Ghosh from Kurien There cannot be a useful definition covering the 'provision of material needs' in all stages of social evolution Marx says "When we speak of production, we always have in mind production at a definite stage of social development It might therefore seem that, in order to speak of production at all, we must either trace the historical process of development in its

various phases, or declare at the very beginning that we are dealing with one particular historical epoch, for instance with modern bourgeois production...The determinations which apply to production in general must rather be set apart in order not to allow the unity which stems from the very fact that the subject, mankind, and the object, nature, are the same—to obscure the essential difference. ...On failure to perceive this difference rests, for instance, the wisdom of modern economists who are trying to prove the eternity and harmony of the existing social relations."[1]

The essentiality of this historical specificity may be clearer from the following. Under the capitalist production, "for the first time, nature becomes purely an object for men, nothing more than a matter of utility. It ceases to be acknowledged as a power for itself, and even the theoretical cognition of its autonomous laws appears merely as a stratagem for its subjection to human needs, whether as object of consumption or as means of production. It is this same tendency which makes capital drive beyond national boundaries and prejudices, and equally beyond nature worship...Capital is destructive towards, and constantly revolutionises, all this, tearing down all barriers which impede the development of the productive forces, the extension of the range of needs, the differentiation of production, and the exploitation and exchange of all natural and spiritual powers."[2] This dimension, most essential for understanding the role of capital, especially today, is, and has to be, conspicuous by its absence in the generalised definition of economics cited by Ghosh.

Secondly, Ghosh's account of Kurien's historical classification of the social orders is marked by a deliberate and studious omission of the feudal phase. There may be, and indeed are, differences of opinion among Marxists about the precise form of feudalism, but no one can deny the fact that *historically* speaking, capitalism developed out of the womb of feudalism in all countries where it arose indigenously, that is, wherever it was not implanted by external agencies. Marx himself is very categorical about this. "In fact", he says, "the history of landed property, demonstrating the gradual transformation of the feudal landlord into the recipient of rent, of the hereditary, half-tributary and often unfree tenant into the modern farmer, and of the serf and villein tied to the soil and subjected to labour services into the agricultural day-labourer, would be the history of the formation of modern capital.."[3]

Moreover, the general concept of feudalism occupies an important place in the Marxist view of social evolution for a more fundamental reason. But of this, later.

Then some basic categories like market, regulation and state seem to be treated by at least Ghosh (whether he is really following Kurien or not) as abstractions which is alien to the Marxist view.

One can conceive of market for circulation of products within a system of socialised ownership. There can also be a period of coexistence of socialised and private ownership, and therefore a regulated market. In this case regulation itself may be qualitatively varied: regulation in the rational and long-term interest of private ownership, or even in its short-term unenlightened interests, or a variety of Lenin's NEP for a long or fairly long period, but with the explicit object of the ultimate elimination of private ownership in the means of production. Most essentially, the existence of a regulated market has to be juxtaposed to the question of the permissibility of a market for labour power—that is, for the extraction of surplus value, that is, for the perpetuation of capitalism.

Before we move ahead from the question of market, it should be noted that the market mediates not only between producers and consumers as Kurien holds, but also and to a large and growing extent between producers and producers for the exchange of means of production.

Along with non-specific concepts of market and regulation, Kurien takes a non-specific and abstract view of the state as well. Expenditures or regulations by a capitalist and a 'post-capitalist' state have fundamentally different imports. However welfarish in appearance, these measures by a capitalist state are intended to stabilise capitalist class rule, whereas expenditures and regulations by a 'post-capitalist' state may be directed towards the ultimate withering away of the state itself.

Then, this writer has a fundamental disagreement with Kurien's position, as stated by Ghosh, on what the latter calls the possibility of the emergence of a 'post-capitalist' state in India. By this, they mean 'socialism with a market system'. On this question, this writer feels that Kurien and Ghosh have not properly drawn the lessons from the history of socialist reconstruction during the long period since 1917. The historical experience of the USSR and eastern Europe (leaving aside the problematic position of China, Vietnam and Cuba) has shown that under certain conjunctures, working people or even a part of them may assume power in a particular country and may initiate the transition towards socialist transformation. But they cannot make real advances in this direction unless and until there is a more or less simultaneous movement in the same direction in at least a number of developed capitalist states of the world.

Indeed, this was the perspective with which Lenin had initially led the Bolsheviks into the November revolution and this also was the perspective with which he had valiantly struggled to ensure the survival of the Soviet state as long as possible. But in the very last piece of his writing ('Better Fewer But Better') in March 1923, he stated that this struggle could not really succeed till there was a new wave of revolutionary upsurge embracing the developed capitalist countries. With the immense progress of global integration, the prospect of isolated transition to a 'post capitalist' society has become even more unviable today.[4]

Hence, while progressive forces in all countries should all the time work devotedly to advance the cause of social transformation, they should do so as a part of the international struggle for a global change in this direction. It is this writer's conviction that contrary to the apparently gloomy picture, such a more or less simultaneous transition has become a more realistic possibility today than ever before.[5]

Finally, to revert to the question of the historical role of feudalism, Marx's perspective of the historical evolution of human society is based on the long-term process of the advance of humankind from the two-fold bondage to nature and social groups to freedom from both. In this historical journey, feudalism marks a middle stage when the human being (that is, the majority) is partly free and partly in bondage. The next phase, that is, capitalism, represents an advance to formal freedom accompanied by wage-slavery in real terms. From this follows the final aim of complete freedom through the abolition of wage slavery.

Notes

1 Marx and Engels, *Complete Works*, Progress Publishers, Moscow, 1986, Vol 28, p 23. A somewhat differently worded version in *Grundrisse*, Pelican Library, London, 1973, p 85.

2 *Complete Works*, op cit, p 337, *Grundrisse*, pp 409-10.

3 *Complete Works*, op cit, p 184, *Grundrisse*, pp 252-53.

4 For a detailed discussion of related issues, see Ajit Roy, *On Marxist Theory and Practice: From Stalin and Mao to Gorbachev and Deng*, Marxist Review Publications, Calcutta, 1992, pp 46-73

5 Ibid.

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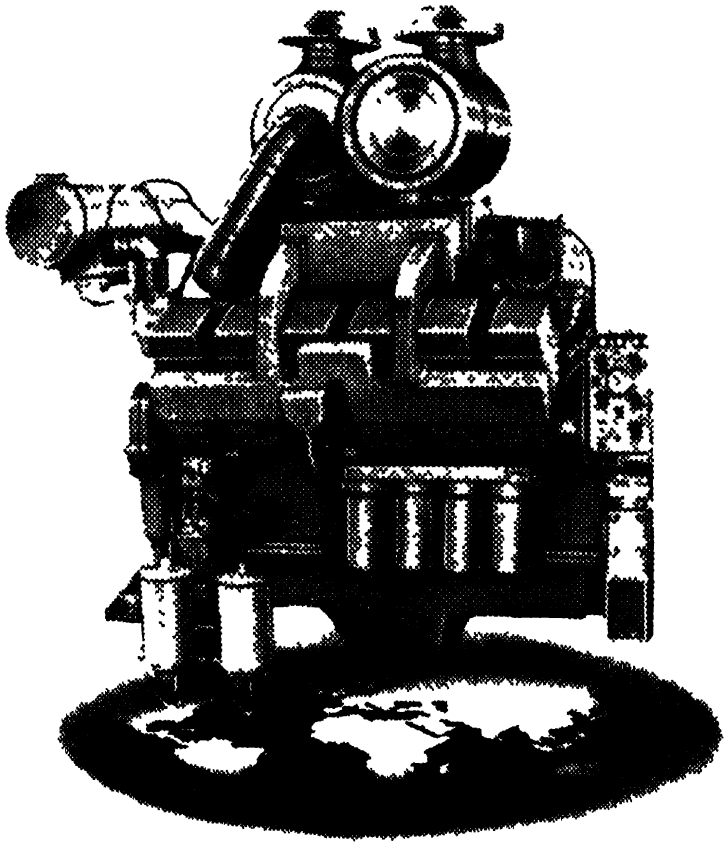
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Irrigation in Eighth Plan

The highly adverse Morse Berger report on the Sardar Sarovar project which is slated to add about 1.8 mha of irrigation capacity by the end of the Eighth Plan has cast a cloud on newly started but controversial dams. There is, however, no dearth of other ongoing projects for putting our investments in, while still achieving the overall target of new irrigation capacity creation in the Eighth Plan. The crucial question is one of the requisite investments forthcoming for the irrigation sector during the Plan. **A-38**

Poverty and Migration

China's economic reform since the mid 1970s have reduced the number and proportion of people in poverty. However, there remain a large number of poor people concentrated in clearly identifiable regions. In the 1980s the Chinese government's main focus was on reducing poverty by aiding impoverished areas to raise their level of development. Actually, migration out of the poorer regions has a potentially large role to play in reducing poverty, though there are special institutional barriers to migration in China. **1369**

The 'Muslim Problem'

The brahminical secularism of secular Hindus would wish the Muslims to adopt lock, stock and barrel the marriage between Hindu and western ideals that symbolises the life and life style of this elite. **1345**

Water Level

Official statistics of Gujarat's irrigation potential are exaggerated and misleading. A more realistic estimate will both buttress the claim for more resources for this sector and make possible the evolving of a reasonable water development strategy for the state. **A-45**

There has been a steady decline in the area irrigated by tanks in Tamil Nadu. The physical and technical factors responsible for this have received much attention, but not the institutional ones. **A 53**

Money Problem

The labours of many review committees and study groups notwithstanding, rural credit remains a problem, partly on account of socio economic peculiarities and the political environment and partly because of lack of serious effort to implement the various recommendations made as a package. **1361**

Downward

In a regime of convertible and floating rupee, further depreciation of the rupee is almost inevitable while not all the benefits of such a regime will accrue to India. **1391**

Assets and Environment

Compared to the IRY NREP type of rural development interventions which are based on the principle of adding to assets and incomes, watershed management programmes are designed to augment the natural resource base and are definitely to be preferred in specific circumstances. **A-61**

Political Dimension

Studies of rural co operatives have generally emphasised evaluation, neglecting the process of interest articulation, through institutional forms and within the institutions. **1353**

Indigenous Peoples

With the revival of colonial ambitions in the UN under US leadership the attempts of indigenous peoples round the world at social transformation are in danger of being subverted by imperialist forces. **1357**

National Resource

Even a conservative estimate brings out dramatically the important national resource that mothers milk represents and the economic value of breast feeding. **1390**

Bounty

The government has decided that in the interest of stabilisation investment has to be cut drastically. It has, therefore, no choice but to try to lure foreign investors into the power sector on terms which are absurdly generous. **1343**

LETTERS TO EDITOR

Paul Kurien

I FIRST heard of Paul Kurien from a teacher of mine in Calcutta. In the early 1970s they had been students together at the Jawaharlal Nehru University in New Delhi. Those were the halcyon days of the JNU, newly set up, with its teachers and students fiercely committed to scholarship and ideological debate, or rather, to the interpenetration of one with the other. Among the precociously gifted talents at the university were my teacher and Paul. One was a Maoist, the other a Trotskyist; both had an acute intelligence and a formidable knowledge of the scriptures. Evidently they had had some rare battles in hostel room and coffee house. My teacher invariably referred to Paul as 'Paul Marx', at once a tribute to his erudition and an indictment of his refusal to see another point of view.

When I got to know Paul Kurien—some 15 years after he had argued so heatedly with my teacher about texts and contexts—he had lost much of his dogma and certitude, though little of his love of ideas. In appearance he was everybody's idea of a JNU radical: a thin intense man with a slight stoop, a beard and shock of hair urgently in need of running repairs. When we first met, he had just read Juan Martinez Alier's magisterial history of ecological economics, and could talk of nothing else. The book was not available in India. Paul himself had read it in Europe, and was determined that it should be known and discussed here. He was especially persuaded of the work's larger methodological claim, that energy flows rather than money more accurately captured the performance and sustainability of an economy. Immediately he set to work at organising (in Bangalore, where he was then based) a conference on energy, environment and development. With meticulous care he planned the meeting, pairing topics with persons. He even persuaded Martinez Alier (whom he had not then met) to come.

Sadly, a week before the meeting Paul had a recurrence of the depression that plagued him for the last few years of his life. Always a high strung man, in this mood he was prone to violence. Here was a meeting he had worked untiringly and almost single handedly to put up; and now it was threatened by an illness that he had no control over. Fortunately, prompt treatment (administered, as it had to be, without his knowledge) stabilised his condition somewhat, and he was able to attend the meeting after all. Sponsored by the Institute of Cultural Research and Action, the conference attracted some of the best known environmental analysts in India, aside from the Spanish economist whose own work had sparked it off. The papers, on various aspects of the energy-economy interface (a greatly neglected area of research), were of almost uniformly high quality. Unfortunately, Paul's continuing ill-health came in the way of the completion of the edited volume that was to be the project's fulfilment. Bringing the book to publication would be one fitting tribute to his memory.

All well-run conferences have wider ripple effects: putting into touch people who have not previously met but who might come to forge enduring relationships, for example: or setting into circulation important ideas that are then further elaborated and developed. The energy conference organised by Paul Kurien in October 1988 undoubtedly fulfilled these larger aims. Among other things, that meeting consolidated the growing interest in ecological economics within India. It also activated links across countries, between scholars and activists interested (as Paul so deeply was) in finding common ground between environmentalists and socialists, two groups who have tended to talk past rather than talk to each other.

When I knew him Paul's abiding interest was energy economics, but in his JNU days his main focus of research had been on the condition of the working class. He co-authored a long essay, published in this journal, on the Solidarity movement in Poland; and I have been told that his study of the process of mechanisation in the mines of Chattisgarh was greatly valued by the workers' union there. He retained to the last his love of ideas; being, in between bouts, as energetic and mentally alert as ever. Shortly before he died he came to Delhi; meeting an old friend who had once been a fellow student at JNU and now taught there, he told him that he wished to register for a PhD with him. As the JNU students of the 70s make their important contributions to the intellectual life of this country—in sociology, history, economics and political science—let us remember Paul Kurien, one of the most brilliant, if tragically ill-fated, of them all.

RAMACHANDRA GUHA

New Delhi

Farmers and Dunkel Draft

AS history has to be recorded on the basis of truth, a brief report about the activities of the Karnataka Rajya Ryota Sangha (Karnataka State Farmers' Association) since its inception in 1980 has become necessary in view of false information and false claims getting disseminated. The KRRS was founded in October 1980 and has been fighting against the political, economic and cultural damages the green revolution technology has done to the village life in India and to Indian agriculture.

Since its inception, the KRRS has been agitating against the colonisation of the seed through the myth of the 'miracle seeds' destruction of genetic diversity and ecological stability through green revolution monocultures, soil toxicity and soil disease due to heavy fertiliser use and high-yielding varieties, apart from other environmental issues like the indiscriminate exploitation of other natural resources. The new economic policies relating to agriculture and the general policy of liberalisation of the government of India leading to the final phase of the colonisation of the seed through the introduction of Intellectual Property Rights in Agriculture and the consequent adverse effects were all issues which the KRRS took up much before Arthur Dunkel presented his Draft Proposals.

The KRRS stepped up its agitation against the new economic policies of the union government soon after the removal of the subsidy to fertilisers from October 1991 and resolved at a massive rally of farmers on October 2, 1991 at Bangalore to organise the agitation nationwide, and after a preliminary discussion with Vandana Shiva of the Third World Network conducted a conference on the Dunkel Draft Text on February 8, 1992 inviting eminent scientists and leaders of farmers' organisations from different states of India.

The KRRS decided at the February 8, 1992 meet to launch an agitation against MNCs entering the seed sector in India and also chose Cargill Seeds, which by then had already established its office at Bangalore, as its first target. This decision was also released to the press. The KRRS decided to organise a nationwide 'seed satyagraha' at a massive rally of farmers numbering over 5,00,000 at Hospet last October in which the national president of the Bharatiya Kisan Union Mahendra Singh Tikait, M R Sivaswamy of the Tamilnadu Farmers' Association and Vandana Shiva of the Third World Network participated. The KRRS chose December 29, 1992 as the date for the action against Cargill Seeds at Bangalore in memory of its founder general secretary who had passed away on December 21.

As decided at Hospet, the KRRS organised a national rally of farmers on March 3 in spite of the ban imposed by the union government, which to save its face, later issued a permission to KRRS, many scientists and activists extended their help and assistance to the rally. KRRS is a founder-member of the BKU which was founded in 1981 at Hyderabad. Only the Shetkari Sanghatana of Maharashtra remained out of this farmers' unity. The BKU which inherently distrusts Indian intellectuals deliberately decided to exclude the Gene Campaign from the March 3 rally of farmers as it was talking about 'minimum renegotiation' while the BKU was talking about 'total rejection' of the Dunkel Draft. The BKU even passed a resolution to the effect that farmers would be their own spokespersons, the day before the rally.

M D NANJUNDASWAMY

President,
Karnataka Rajya Ryota Sangha,
Bangalore

June 26, 1993

ECONOMIC AND POLITICAL WEEKLY

Burden of Financial Reform

THE Reserve Bank of India has taken the expected step of reducing the minimum lending rate of banks for the highest credit limit slab of above Rs 2 lakh by one percentage point to 16 per cent, effective from June 24. The reduction for the middle slab of Rs 25,000 to Rs 2 lakh has been restricted to half a percentage point to 16 per cent (fixed) thus bringing on par the fixed rate for this slab and the minimum rate for the highest slab. No reduction has been made in the lowest concessional slab of credit limits up to Rs 25,000 which attracts a rate of 12 per cent per annum. Thus, within a short period of a year and a half the number of lending rate slabs has been reduced from six to three, with considerable narrowing of the spread between rates and reduction in the element of cross subsidisation. This takes the interest rate structure closer to the reform agenda, namely, a two slab system consisting of a minimum lending rate and a concessional rate. The deposit rate part of interest rate reform has already been implemented since March 1992, there is only one maximum deposit rate for the entire term structure ranging from 46 days to three years and over. Thus a fixed deposit for 46 days fetches today 11 per cent per annum, while the interest rate on saving deposit accounts which was hitherto 6 per cent has now been reduced to 5 per cent.

Broadly, the entire approach to financial sector reform has been conditioned by the government's objective of pushing the banks towards globalisation. The authorities do not apparently realise the cost this effort imposes on the real economy. The banking system has to be viable, of course, but the obsession with achieving high profitability and a risk weighted capital base following norms prescribed for international banks is proving to be disastrous. Without examining the budgetary and interest cost implications, the government and the RBI have readily accepted the 8 per cent risk weighted capital adequacy norm as prescribed by the Basle Committee on Banking Regulations and Supervisory Practices. For decades, the world of banking has remained perfectly solvent and has grown on a capital base of less than 2 per cent. The new norms have imposed a heavy cost on banks even in the developed countries. Many international banks in Japan and even in such a financially sturdy country as Germany are finding it difficult to fulfil the BIS norms. Besides, these norms have also induced a major shift in bank lending away from traditional corporate loans and consequently from interest income to non fund based earnings. For developing country banks, these are steps that deserve to be deferred at least by a decade. Having accepted the norms, every sector of the economy is made to pay the price in terms of higher interest cost. The short (5 year) maturity government security coupon rates have been pushed up to 13 per cent and those on the 10 year state government securities to 13.5 per cent – that is equal to the banks' average earnings on their lending. Because of its anxiety over the banks' profitability, the RBI has been reluctant to reduce lending rates. Except for the symbolic gesture of a lower rate on loans below Rs 25,000 the needs of small borrowers in agriculture and small industries have been sacrificed and they have all to pay high rates of interest. A small scale unit with Rs 2 lakh credit has to pay 16 per cent plus various add on charges, whereas a high credit rated bank customer may be paying the same rate or a little over with the simultaneous enjoyment of many banking facilities. Small businesses suffer from a number of disabilities and the monetary authorities are showing little sensitivity to their problems. The argument that the higher rates will induce banks to lend more to small borrowers is specious and is based on an insufficient understanding of the grass roots level reality, to say the least.

In a banking system with significant social obligations, a 3.5 to 4 percentage points spread between interest earned and interest paid (along with some substantial other incomes) should be considered as satisfactory. As for the non performing assets, the authorities obviously take the myopic view that the answers to the problem have to be found within the banking and financial system. In fact, banks and financial institutions will continue to face non performing loans on a large scale due to the reluctance of the authorities to enforce a modicum of financial discipline upon private entrepreneurs. The structural adjustment programme under way is likely to further accentuate sickness in industry and thus add to the size of non performing assets (which are estimated to have crossed 14.5 per cent of the total domestic loans of banks). Making sufficient provision for bad loans is no doubt important, but the excessive burden of the high capital adequacy norms on the central government budget and the borrowing units could have been avoided.

Against this background, a more realistic interest rate structure in the current milieu could have been one in which the maximum deposit rate is fixed at 10 per cent and the minimum lending rate is fixed at 15 per cent with some differentiation between maturity periods for bank deposit rates and between the size and purpose of loans for lending rates. The differentiation should be significant and not just symbolic. In the name of simplicity, the authorities have totally surrendered their option to use the interest rate instrument for supporting priorities in the structure of output and employment – say, in regard to agriculture, small businesses and small scale industries. Apart from adequate credit, small scale industry deserves to receive credit at a significantly lower cost than at present. There is a strong case also for some reduction in the rates on term loans charged by the term lending institutions.

NARMADA ANDOLAN

Beyond Narmada

THE current phase of the agitation spearheaded by the Narmada Bachao Andolan emphatically and uncompromisingly underlines two truths: one that the demands of the Andolan are not only an articulation of the fundamental rights of the people of the Narmada valley, but of the vast populations which are being marginalised and even wiped out in the mindless march towards development for a few; and two, that the state having rejected the participatory course of designing development projects, is finding extensive and ruthless repression useless against the forces espousing real change.

With the height of the dam rising to 61 metres, the village of Manibeli, the historic site of the Andolan's agitation since last year, will be submerged this monsoon. Since April this year it has become the site of protest and agitation for the Andolan and its growing supporters. The actions of the government in undertaking continued activity at the dam site is in clear violation of the Gujarat high court order that there should not be any temporary submergence nor any temporary removal of the oustees until rehabilitation has been completed as per the award of the Narmada Waters Disputes Tribunal which stipulated that the oustees should be rehabilitated at least 12 months before the submergence. And yet it is now a well established fact that the government has no comprehensive master plan on rehabilitation even 12 years after work on the project has begun.

In April the Andolan constituted a 'samarpit dal' in Manibeli which would refuse to move out even when submergence occurred in an attempt to force the government to stop work on the dam and begin a review of the project in participation with the dam affected people. Undeterred, the state government began clear felling of trees in the area ostensibly to build a road to facilitate the movement of police forces. With increase in the state's presence in the villages came brutal repression of various kinds: in that month a 42-year old tribal activist was physically assaulted and raped by three policemen; a peaceful agitation protesting the rape was violently attacked allegedly by supporters of the ruling party while the police looked on. Following these came several other incidents where meetings on Narmada and on related issues were violently disrupted by mobs with what appears to have been the tacit support of the police. There have been selective attacks on individuals in an attempt to scare them away from supporting the agitation.

With the Andolan declaring Manibeli as the site for massive demonstrations and a satyagraha has come unprecedented state repression. On May 29 the Maharashtra government imposed Section 144 of the Criminal Procedure Code in 36 villages in Dhule district in an effort to prevent the movement of people to Manibeli and other villages. The following day the police made an attempt to demolish the first hut in the village which would be affected by the submergence and evict its occupants but had to retreat in the face of determined resistance. Andolan activists and supporters attempting to reach Manibeli to offer legitimate protest have been harassed, arrested and assaulted.

So widespread and determined has been the police harassment and state repression that several civil liberties groups have come together to form a Human Rights Campaign on Narmada. A team sent by the campaign has detailed the types of harassment and the manner in which legitimate protest is being suppressed. Another team constituted by the Bombay high court in response to a writ petition challenging the prohibitory orders has similarly indicted the state government.

But clearly it is a sign of the times that the state has chosen to completely ignore these substantive reports of human rights violations. Its unconcern for the popular response to its actions was once again demonstrated when Medha Patkar and Dewram Bhai decided to go on an indefinite hunger strike in Bombay to press their demand for a review, a demand which is today drawing wide-ranging support from a variety of organisations. On the very second day of the fast, Patkar was arrested for attempted suicide and forcibly removed to hospital and force- fed. This showed utter contempt for a historically acknowledged legitimate form of protest. As Patkar stated in a submission to the court, "an activist who wishes to wage a non-violent peaceful war against evils in the society cannot be denied the right of continuing the agitation". Even later, as the agitation continued and the government was faced with growing pressure to consider the demands, it again arrested Patkar and forcibly put her on intravenous glucose. Not only do these acts contravene the right to protest, they go against acknowledged ethical procedures in medicine. According to the World Medical Association's Tokyo declaration of 1975, voluntary refusal to be fed is a patient's right. Moreover, as long as the patient can exercise 'unimpaired and rational judgment' (as was most certainly the case when Patkar was arrested on the second day of the hunger strike) and the consequences have been explained, the decision rests with the patient. According to the WMA's more recent declaration on hunger strikes (1991), in the event the doctor faces a conflict of values as when the life of the patient is in danger (as one may presume may have occurred when Patkar was arrested the second time) and the doctor must discharge the first obligation to ensure the sanctity of life, even then the decision must rest with the doctor in consultation with the patient and a doctor or health worker is under no obligation to carry out the orders of the state or any other authority. These ethical codes become highly relevant in the context of the state's growing indifference and intolerance to all forms of protest, because they may be used by socially-conscious professionals to stall the state's actions.

The Andolan's strength comes from the fact that its larger perspective or political philosophy has derived from grassroots questions and in the course of responding to the immediate distress of the people of the valley. Thus the issue-based focus of the organisation has over the last eight years broadened to questioning of the models of development and the processes of designing and implementing of development projects and programmes based on these models. The Andolan's actions today are not merely addressing the issue of social and economic rights of just the people affected by the Sardar Sarovar project, but are striking at the political foundations of the state in India and its links with the dominant political and economic forces internationally. And this is why the state cannot afford to accommodate its demands, even in a limited way, nor even appear to give in. And this is also why the Andolan is so significant.

POLITICS

A Liability

WHILE within the Congress party, birds of a feather are flocking together behind a leader who is increasingly acquiring quite a disreputable image, outside, the opposition continues to hum and haw—uncertain about the future of the leadership of the ruling party and unwilling to face fresh elections.

Even if nothing can be done against the actual recipients of Harshad Mehta's ill-begotten largesse (as in similar financial scams in the past), in the public mind some of the mud will stick to the prime

It is regretted that because of a mechanical breakdown of our typesetting system, publication of this issue has been inordinately delayed. The size of the Review of Agriculture has had to be cut and it has not been possible to ensure uniformity of type style. The dislocation is expected to persist for two or three weeks. Readers are requested to kindly bear with us.

minister. If, as he claims, the big bull is lying, a defamation case against him would be the normal legal procedure. At least, as a public gesture, to allay misgivings in the minds of the people—and also among his own party members—he could have tendered his resignation (to be withdrawn, as customary in Congress politics, at the request of his colleagues who would have expressed their 'everlasting loyalty' to his leadership). But that ritual was also discarded. Did Rao fear that his resignation might be accepted by his colleagues who are finding him a liability, what with the unmitigated mess that he has made of the Indian polity?

But then, the moot questions for Congressmen are: how to get rid of a leader who lacks the decorum to gracefully retire? More importantly, who will succeed him? There are too many contestants. Given the almost insurmountable task of salvaging the polity, and restoring some semblance of legality to the system, along with the fear of a bad name that any incumbent would surely acquire if he/she fails to deliver the goods, one really wonders at the courage of the Arjun Singhs, Sharad Pawars and their ilk who are staking their claims—surreptitiously or otherwise—to the post of prime minister. Do they seriously hope to bring about the changes that are required to improve the situation, or do they just aspire to make good use of the opportunities that go with the office of prime minister for their personal benefit, as long as they last?

It is the lack of consensus among the party leaders on the choice of a successor to Rao that is forcing them to continue with the consensus on Rao as the prime minister. While publicly displaying their collective support and loyalty to Rao, each of the contestants is busy in horse-trading with MPs and party chief ministers and legislators in different parts of the country, in order to weigh his chances in the contest. Till a firm deal is struck leading to another 'consensus' on a new candidate, Rao will continue.

Meanwhile, pressures are mounting from both within the Congress, and from the opposition, for a replacement for Rao. Neither the Left, nor the Janata Dal, is in a position right now to win a mid-term poll and form an alternative government in Delhi. They have therefore reconciled themselves to the continuation of a Congress government at the centre—but under a more respectable prime minister. The possibility of the BJP coming to power, in the event of a mid-term poll, is a nagging fear that compels the rest of the opposition, willy-nilly, to keep the dilapidated Congress propped up in power with a few repairs now and then.

As for the Congress, it will have to salvage its sagging image before the coming assembly elections in the four (erstwhile BJP-ruled) states, if it wants to make any dent in the BJP support-base there. Whatever little headway the Congress could make in these states during the last few months is likely to suffer a reverse following Harshad Mehta's allegations against Rao. Fighting the elections under the leadership of a man who is under a cloud is to court disaster. The Congress therefore is in desperate need of a new leader who can at least drag it out from the pit.

But the final outcome may be decided by the result of the contest between a wily and resilient prime minister who is determined to remain in power on the one hand, and the forces opposed to him (both within his party and outside) who are yet to formulate an alternative course of action, on the other. Rao is actually a beneficiary of the system introduced by Indira Gandhi in the Congress which institutionalised the power and position of the prime minister as an individual who is beyond any democratic control by the party. Rao can tomorrow strike a deal with the BJP - given his soft spot for the 'Sangh parivar'—to frustrate any no-confidence motion that might come up against him in parliament. Even though the BJP is publicly demanding his resignation and general elections, it is not without significance that its parent, the RSS, is against the removal of Narasimha Rao at this juncture, since it thinks that the time for the BJP to bid for power at the centre is not yet ripe.

Finally also, those within the Congress and the opposition who appear to be unwilling or incapable of upsetting Rao's apple cart will have to allay the suspicions generated among the public by Harshad Mehta's allegations about pay-offs to politicians of all hues, including even members of the JPC itself, who are supposed to investigate into his misdemeanours.

INDUSTRY

In Recession's Grip

A CONSPICUOUS fall-out of the government's policy of fiscal compression and tight monetary control since 1990-91 has been the severe recession in industry. For almost a decade industrial output grew at nearly 8 per cent per annum on average with significant contributions coming from capital goods and basic goods industries. All of a sudden from 1991-92 there was drastic curtailment of public expenditure in real terms which hit industrial activity dramatically. The general index of industrial production registered a fall of 0.2 per cent in 1991-92 against an increase of 8.3 per cent in 1990-91. Manufacturing output fell by 1.6 per cent, while there was a 0.6 per cent rise in mining and quarrying and a sizeable increase of 8.6 per cent in electricity generation due to a substantial increase in thermal and nuclear power generation.

The government's *Economic Survey* for 1992-93 expected a 4 per cent industrial growth during the year. Month-to-month indices of industrial production (1980-81 = 100) suggest that except for two months (April and September), 12 month increases hovered around 1 to 3 per cent in each of the months up to December 1992; thereafter, January, February and March 1993 experienced drastic declines of 4.1 per cent, 4.3 per cent and 5.4 per cent, respectively. As a result, the average general index for 1992-93 at 215.1 shows an increase of only 1.3 per cent. While mining output has generally stagnated, manufacturing output showed a fractional increase of 0.6 per cent and electricity of 5 per cent.

A combination of supply and demand factors and also associated long-standing structural ones blighted the industrial scene in 1992-93. A glaring aspect of the industrial sluggishness relates to the energy sector. Studies have shown that the gross supply of primary sources of commercial energy rose by only 2.5 per cent in 1992-93 against an increase of 5.7 per cent in 1991-92. There was a corresponding increase in the dependence on imported sources of primary commercial energy, the result of a steep fall of 11.2 per cent in domestic production of crude oil. Though coal has an advantage as an energy option due to its relative abundance in the country, there is a rapid and distinct shift in preference in favour of hydrocarbons on the part of user industries. Investment in coal has suffererd in recent years. Coal output at 238.2 million tonnes increased by 3.9 per cent in 1992-93 against increases of 8.4 per cent in 1991-92 and 5.4 per cent in 1990-91. Power generation at 301 billion units in 1992-93 registered a rise of 5 per cent essentially because of an 8 per cent increase in thermal and nuclear power, whereas hydel power, because of erratic (though sizeable) rainfall, fell by 3.9 per cent. In 1991-92 there was an increase of 11.1 per cent in thermal and nuclear power generation and of only 1.5 per cent in hydel as a result of the inadequacy of maintenance as well as lack of fresh investment in the hydel sector.

The second group of industries to suffer sluggish output growth are capital and investment goods—cement, steel and other metals, electrical and non-electrical engineering and commercial vehicles. Their production has suffered essentially because of the cut-back in public sector investment. Despite substantial capacity expansion in recent years, cement output stagnated at 54.1 million tonnes in 1992-93

against 54 million tonnes in 1991-92. Cement despatches have been severely affected in the last two years following the drastic cuts in orders from the government. The metal industries here are puny in size by international standards and yet they have faced a fall in production due to reduced demand. Total production of finished steel at 15.1 million tonnes increased by 5.4 per cent in 1992-93 and by 5.9 per cent in 1991-92. Aluminium production declined by 5.7 per cent in 1992-93 because of low offtake by the state electricity boards which are starved of funds and by the automobile industry which is recession-hit. Production of commercial vehicles fell by 10.2 per cent in 1992-93 against an increase of 3 per cent in 1991-92 which was itself low as compared with an increase of about 16 per cent in 1990-91. Production of passenger cars also fell by 2 per cent and of two-wheelers by 6.4 per cent in 1992-93—a phenomenon affecting many consumer durables in the past two years or so. Amongst the machinery sectors, the index of output of non-electrical machinery which grew by 15.8 per cent in 1988-89, 6.6 per cent in 1989-90 and 8.7 per cent in 1990-91, registered a fall of 2.7 per cent in 1991-92. In 1992-93 (April-February), the index again registered a fall of 0.8 per cent. Electrical machinery and appliances had registered phenomenal increases in output of 32.7 per cent in 1989-90 and 22.7 per cent in 1990-91 but in 1991-92 output fell by as much as 12.5 per cent. In the first 11 months of 1992-93 (April-February), there occurred an increase of 2.2 per cent only in the output of electrical machinery. It has been reported that many of the public sector units like BHEL have faced serious demand constraints in the past two years.

Two other major groups of industries are chemicals and agriculture-based industries, both of which have seen moderate growth in output in 1992-93. The chemicals and chemical products sector, with a weightage of 12.5 per cent in the general index, has come of age, though different segments of it have been facing different supply and demand constraints, as a result of which there has occurred a deceleration in output growth from 16.1 per cent in 1988-89 to 6.1 per cent, 2.6 per cent and 2.8 per cent in the next three years respectively. In 1992-93 there was a rise in the growth rate to an estimated 4.5 per cent due to increased demand from user industries such as food processing and textiles. The cotton textiles group has experienced an estimated increase of 2.5 per cent in 1992-93. In spite of reported sluggishness in demand, production of cotton and blended yarn expanded by 8 per cent in 1992-93 against a decline of 1.9 per cent in the previous year. Jute goods output also increased by 4 per cent in 1992-93 against a fall of 9.8 per cent in 1991-92. Likewise, rubber production (natural and synthetic) rose by 5.4 per cent in April 1992-January 1993 against a 9.7 per cent increase in the previous full year. Production of man-made fibres and yarns have continued to experience sizeable increases, ranging from 6 to 18 per cent. The index for food products increased by 1.8 per cent in 1992-93 (April-February) as against an increase of 3.8 per cent in the corresponding period of 1991-92 and 4.1 per cent in the whole of that year, even though output of sugar and tea faced some setback during the year.

Finally, the fertiliser industry was unsettled in 1992-93 because of the government's decision on fertiliser prices and the unification of the exchange rate of the rupee that made inputs costlier for plants based on imported ammonia and phosphoric acid. While output of nitrogenous fertilisers registered a marginal increase of 1.2 per cent in 1992-93 against an increase of 4.4 per cent in the previous year, that of phosphatic fertilisers fell by 10.1 per cent following the decontrol of prices in August 1992, after recording an increase of 24.9 per cent in 1991-92.

NORTH-EAST

Broader Identities

Kamaroopi writes:

THE ability of the Congress(I) leaders to speak in several voices at the same time has once again become evident in some of the formulations of the Eighth General Conference (Special) of the North-Eastern Congress(I) Co-ordination Committee (NECCC-I), which met in Dimapur on June 22, on the issue of illegal migration into the region from across the border, especially Bangladesh.

Formally at the national level, it is not at all clear that the Congress(I) has even taken cognisance of the problem, except to raise it or underplay it depending upon its crudest political requirements and, in some cases, even its factional requirements. Public pronouncements by Congress(I) leaders routinely ascribe the whole issue to the felt anxieties (or 'false consciousness', if that particular politician were to be familiar with the more modish jargon) of a section of 'upper caste Assamese Hindu chauvinists' who manufactured the issue out of nothing to be exploited now by the BJP and other communal bodies out to make political gains—all at the expense of the patriotic and nationalistic-minded Congress(I). The Left's criticism of the anti-foreigner agitation in Assam was even more strong.

However, Congress(I) leaders within the region are forced to project the problem rather differently, though it is not clear whether this is an example of double-talk or an appreciation of one aspect of political reality—the other aspect being the denial of any such illegal infiltration. The report of the general secretaries for the period between March 1989 and July 1992 presented during the previous (Regular) General Conference of the NECCC-I at Guwahati on July 3 last year, where both P V Narasimha Rao and Arjun Singh as well as several other Congress(I) worthies were present, dwelt at length on the problem of such illegal migration. The 'phenomenon', the report said, derived 'ideological support' from 'Islamic fundamentalists' who envisioned "a larger Islamic country comprising Bangladesh and the entire north-east [of India] where its [that is, Bangladesh's] economic problems will be solved and security assured". In other words, illegal migration into the region was seen as only a cover for Bangladesh's territorial expansionism.

The report adopted at the Dimapur conference this week is even more explicit on such matters. Describing the phenomenon of illegal migration as a "sinister design not easily visible to a stray onlooker", the report says that "Bangladesh is the real bridgehead for conquering the eastern region of India by a natural spill over of population".

A similar dichotomy also characterises the perceptions of the Left parties on the issue. For instance, one recalls that the proposal to erect barbed wire fencing across Assam's border with Bangladesh was greeted with derision by leaders of the Left Front in West Bengal when it was originally made. Now the government of West Bengal itself is actively assisting the construction of a fence across its border with Bangladesh. The CPI(M)-led Left Front government in Tripura, even more vitally concerned with the problem of infiltration, is actively canvassing for introduction of inner-line regulations in the state, such as those currently applicable to Nagaland, Mizoram and Arunachal Pradesh.

Indeed, as apprehensions about the increasing fragility, perhaps even the unviability, of the Indian state turn into near-convictions, and as individual leaders of the larger states, irrespective of their formal party affiliations, take on explicitly regional roles—a process already incipient—the leaders of the smaller states of the north-eastern region too are likely to come together to act collectively, projecting regional concerns. For the present, however, these moves to 'unite' appear to be confined to leaders of the Congress(I) from six of the seven states of the region where the Congress(I) heads the governments. But should major shifts in the balance of forces at the Centre take place, as seems all too likely, the moves towards broader regional identities in unity, overcoming or papering over conflicts of interest within the region, are likely to become irresistible as well as unavoidable. Those who opt out will only be left out.

Recession in Tyres

Jairaj Kapadia

THE tyre company MRF has suffered a setback in profit after depreciation and in profit after tax during the year to September 30, 1992, while against an improvement in net sales of Rs 87 crore at Rs 662 crore, its gross profit has shown an increase of only Rs 3 crore at Rs 59 crore. The company declared a higher dividend of 75 per cent in three parts of two interim dividends of 30 per cent and a third of 15 per cent final dividend as against 60 per cent for the previous year. Since the year's dividend also covered an increase taking place in the share capital, the total dividend pay-out was more at Rs 306 lakh against Rs 289 lakh for the previous year. But against that there was a write-back of earlier surplus provisions of Rs 505 lakh. This amount itself has more than covered the dividend pay-out. So it cannot be said that the company increased the dividend and that also on a higher share capital despite the setback in profits.

The question remains, why the setback in profits? Evidently since the tyre industry has been in a bad patch and as MRF leads the industry its profitability has been easily affected. The directors observe in their report that the recession in the automotive industry as well as overproduction in the tyre industry has affected the working of the industry due to a sluggish trend in demand for six months running. But one notices also that the company's finances have been quite lopsided. On one hand, the company has remained grossly under-capitalised in relation to its vast and growing operations and, on the other hand, its reliance on borrowed funds has been greater due to increased business.

Loan funds employed during the year were more (Rs 175 crore against Rs 161 crore previously) though the company went to correct the imbalance with a rights issue of shares, which increased the share capital from Rs 386 lakh to Rs 424 lakh, but augmented the share premium account from Rs 10 lakh to Rs 942 lakh. With that, the book value per share went up from Rs 215.78 to Rs 255.58 and though return on equity showed a decline from 22.83 per cent to 12.45 per cent, earnings per share was by no means poor at Rs 31.81 and the equity commanded still a reasonable price-earnings ratio of under 20 per cent at the current market price of Rs 635. These figures underpin the low capital base of the company even as they do place it in a still more favourable position to issue further capital at a high rate of premium.

Since the recessionary trend in demand for tyres is to continue, MRF management has turned attention to export markets and to serve these, and particularly since the launch in export of leather garments has proved successful, a new company by the name MRF International is now established. The leather factory at Ranipet is said to have perfected the processing of finished leather to such a degree as to earn wide appreciation by several international buyers. Exports during the year under review showed an increase from Rs 56.37 crore to Rs 60.90 crore.

Meanwhile, manufacture of conveyor belting by way of diversification has commenced and production of speciality surface coating has been stepped up. Automotive tyre production has also commenced at Medak in Andhra Pradesh while at the Goa factory the new F-620 Banbury mixer, the largest to have been commissioned in the world, is to help increase the capacity and quality of truck and heavy duty tyres, and at Arakonam the production line has been augmented and modernised to increase further the capacity of two-wheeler and radial tyre production. The new MRF steel belted radial Zigma Steel tyre is gaining wide acceptance in the market with its world class performance characteristics. Production and sales have been both higher for the first three months of the current year at Rs 233.31 crore and Rs 218.88 crore, respectively, as compared to Rs 217.50 crore and Rs 196.70 crore for the corresponding period of 1991-92.

The Week's Companies *(Rs lakh)*

Financial Indicators	MRF		IVP		Atlas Copco	
	September 1992	September 1991	March 1992	March 1991	March 1992	March 1991
Income/expenses/profits						
Net sales	66226	57470	8575	7624	5216	4423
Excise duty	18461	16721	413	350	133	64
Other income	448	475	60	80	14	227
Increase (decrease) in year-end finished stock	3642	256	110	3	141	(454)
Raw materials consumed	46432	35409	6178	5547	4211	1987
Power and fuel	2655	1974	251	206	63	61
Other manufacturing expenses	1699	1918	162	148	153	123
Labour cost	3612	2834	324	304	644	789
Other expenses	10221	8051	1254	1103	1784	1490
Operating profits	8697	8016	989	748	655	423
Interest charges	2793	2446	393	317	313	208
Gross profits	5904	5570	596	431	342	215
Depreciation	2630	2120	128	107	137	140
Profits before tax	3274	3450	468	324	205	75
Tax provision	1925	1550	200	68	69	44
Profits after tax	1349	1900	268	256	136	31
Dividends	306	289	103	69	73	—
Liabilities/assets						
Paid up capital	424	386	688	459	725	725
Reserves and surplus	10415	7935	1335	1418	821	757
Long term loans	5633	4741	1796	1685	376	482
Short term loans	11834	11328	530	493	2407	1202
Other liabilities	10779	9394	875	840	1826	1355
Gross fixed assets	24003	22049	2710	2532	2071	2023
Accumulated depreciation	11502	8953	895	742	1300	1170
Inventories	13150	8903	1088	1018	2692	1174
Of which finished goods	9157	5515	542	432	1911	502
Receivables	7709	6629	1725	1560	1656	1614
Loans and advances	3008	2833	376	324	634	589
Cash and bank balances	1808	1649	210	192	362	247
Investments	9	7	10	10	2	2
Other assets	6	9	—	—	39	42
Total liabilities/assets	39085	33785	5224	4895	6154	4521
Key financial ratios						
Turnover ratio	1.69	1.70	1.64	1.56	0.85	0.98
Return on sales %	8.91	9.69	6.95	5.65	6.56	4.86
Return on investment %	15.11	16.49	11.41	8.80	5.56	4.76
Return on equity (%)	12.45	22.83	13.25	13.64	8.80	2.09
Earning per share	31.81	49.27	3.90	5.57	1.88	0.43
Dividend (%)	75	60	15	15	10	—
Book value per share (Rs)	255.58	215.78	20.70	27.30	21.31	20.44
Current market price	635	—	67.50	—	122.50	—
P/E ratio	19.96	—	17.31	—	65.16	—

ATLAS COPCO

Emerging from Recession

Although the stock market is still morbid, the equity share of Atlas Copco (India) is quoted at a high rate of over 65 per cent price-earnings ratio. This, of course, is in terms of the company's results so far for the year ended March 31, 1992. But it shows a sense of confidence about the company on the market which its 1991-92 results have helped restore. The company returned to dividend list, declaring a modest dividend of Re 1 per share, as it overcame the impact of the recessionary trend in the mining and construction industries during the year. Not only did sales income improve, but there was also a fair amount of net profit on hand to declare and pay a dividend to the shareholders. According to the directors, the welcome turn for the better in demand for the company's products is to show further improvement with the industrial, fiscal and monetary reforms announced by the government.

Meanwhile, the company concluded during the year two major contracts involving supply of imported machinery (hydraulic drill jumbos and loading equipment) collectively valued at around Rs 30 crore. Export sales registered a decline from Rs 535 lakh to Rs 487 lakh, as exports to the erstwhile USSR suffered a setback. However, exports being a thrust area of its business, the company is looking for fresh markets. At the same time, sophisticated products, such as screw compressor elements and rotors, remain as part of regular exports to Europe. Now the Atlas Copco group in Sweden has identified the company for supply of lubricators for construction and mining activity in the whole of South America. The decision is also taken in Sweden to source from the company's factory spare parts for light rock drills as a first step to giving Atlas Copco (India) the possibility to export the complete units to the rest of the world.

IVP

Larger Sales

IVP, established in the field of vanaspati and industrial chemicals besides spark plugs and now having diversified into industrial ceramics, earned for the year ended March 31, 1992, a substantially higher gross profit of Rs 596 lakh against Rs 431 lakh for the previous year. But its net profit showed a small increase in comparison from Rs 256 lakh to Rs 268 lakh. This was because business growth entailed a bigger provision of Rs 128 lakh for depreciation compared to Rs 107 lakh in the previous year. But with increased profits the tax amount has shot up from Rs 68 lakh to Rs 200 lakh and, in consequence, improvement in net profit has amounted much less as compared with gross profit. Nevertheless, the company has declared the same dividend of 15 per cent as in the previous year on share capital increased by a bonus issue. As the bonus issue was made in the proportion of 1:2, there has been actually an increase of 7.5 per cent in the rate of dividend as compared with the previous year.

The year's improved profits have, no doubt, corresponded with increase in sales turnover. But the company has also contained the interest burden at Rs 393 lakh against Rs 317 lakh in the previous year. This is to be appreciated in the light vanaspati constituting still the bulk of IVP's business. Gross sales of vanaspati for the year were Rs 4,185 lakh (Rs 4,026 lakh in the previous year) and still exceeded those of foundry chemicals, although these showed a major increase from Rs 3,041 lakh at Rs 3,559 lakh. The containing of interest charges is significant from the viewpoint of management of finances on which prudence is noticed on the part of the company also in limiting the extent of loan funds employed in business.

Keeping with this trend, the company proposed to make an issue of Rs 30 crore in either equity shares or convertible debentures, or both, partly on rights basis to the shareholders, besides the employees, and partly to the public. The capital issue is for further expansion of business towards which the company invested Rs 163 lakh in additional assets, mainly in the industrial ceramics and industrial chemicals division during the year under review. Exports amounted to Rs 303 lakh, while there was a foreign exchange outgo of Rs 261 lakh.

AMTREX

Excise Cuts Help

Lalbhai group's airconditioning company, Amtrex Appliances, has fared well despite recessionary conditions in the industry during the year to March 1993. Its sales have increased by 15 per cent to Rs 1,581.54 lakh and so also net profit by 1 per cent to Rs 97.04 lakh. The company has declared a higher dividend of 12 per cent against 10 per cent for the previous year.

The company launched the 6,000 K Cal (2 tonne) cooling models manufactured in technical collaboration with Hitachi, Japan. These models have been well received in the market. A timely launch made of the Antrex-Shizuka range of wall mounted airconditioners made it possible to soften the impact of the recessionary conditions on profitability. This year the company has launched new ductable split airconditioners of capacity ranging from 1.5 to 7.5 tonne capacities which are expected not only to strengthen its position in the domestic market but also help it attain a much higher sales turnover and profit.

At the same time, the budget reliefs will help recession-hit airconditioning industry. The reduction in duty ranges from 49 per cent on the model with the smallest capacity to 18 per cent on models with the highest capacity. The new structure of excise duty on room airconditioners will permit more imaginative pricing and product policies and to expand the Indian market. In addition, by narrowing the gap between the organised sector and the unorganised sector, it will result in a shift in demand from assembled pieces thriving mainly on the excise exemption, to branded products. Passing on the excise benefits to the end user, the company has recorded a more than 100 per cent increase in turnover at Rs 8 crore in the first quarter of the current year as against the total turnover of Rs 15.8 crore last year. The growth in terms of volume when compared to last year is an overwhelming 134 per cent. The company is expecting the year's sales to cross a figure of Rs 33 crore.

Assistant Editors

EPW is looking for one or two Assistant Editors with academic background in the social sciences and with writing and editing skills. Those interested in knowing more details may please write to the editor.

Intercraft

INTERCRAFT is an established company engaged in manufacturing, exporting, retailing and trading of readymade garments, having pioneered the introduction of genuine indigo denim jeans. It is one of the major exporters of readymade garments and enjoys the status of 'Export House'. Its export turnover has increased from Rs 129 lakh in 1985-86 to about Rs 1,644 lakh in 1991-92. The company established a new international marketing division in January 1992 to export merchandise and services. This division had effected exports of Rs 109 lakh till September 30, 1992. In order to meet its own needs and part of the needs of the industry as well to export, intercraft has promoted Stickwell Fashions to manufacture polyester woven labels with an installed capacity of 30 million pieces per annum at Noida. The quality of Stickwell labels would be superior to other manufacturers of polyester woven labels in the country. The company has facilities at Bangalore for manufacture of 1,200 pieces per day of readymade garments. It has one of the biggest in-house sampling facilities supported by prominent designers from India and abroad and is backed by an R and D division to cater to the export and domestic markets. The company is now expanding its network, of Intershoppe chain shops by adding new shops at Bangalore, Bhopal, Calcutta, Hyderabad and Madras which will provide wider geographical spread and deeper market penetration. The textile and clothing industry is the single largest net foreign exchange earner in the country. The domestic market is also poised for a phenomenal growth. The company expects to achieve a total turnover of Rs 30 crore, Rs 34.50 crore and Rs 39.40 crore in the years 1993-94, 1994-95, and 1995-96 with exports contributing Rs 20 crore, Rs 22.50 crore and Rs 25 crore respectively. It expects to earn a net profit of Rs 2.27 crore, Rs 2.53 crore and Rs 2.99 crore in the above years, giving an EPS of Rs 7.60, Rs 8.40 and Rs 10 respectively. In order to part finance the cost of opening the new shops, to augment its long-term working capital and to invest Rs 60 lakh in the equity shares of Stickwell Fashions, the company is entering the capital market on July 27 with a public issue of 12 lakh equity shares of Rs 10 each for cash at a premium of Rs 25 per share aggregating Rs 420 lakh. Out of this, 46,200 shares and 1,20,000 shares, respectively, have been reserved for preferential allotment to the employees of the company and to the mutual funds. The company is proposing to list its equity shares at Ahmedabad, Bombay, Bangalore, Calcutta and Delhi stock exchanges.

Vishal Lakto India

VISHAL LAKTO INDIA, promoted by Saroj Kumar Bagaria, his associates and VTL India, is setting up a milk processing plant to process 2.5 lakh litres of raw fresh whole milk per day at Baghola in Faridabad district of Haryana at an estimated cost of Rs 1,271 lakh. The project has an installed capacity to manufacture 33,000 tpa of milk (pouched), 1,000 tpa of cheese, 2,436 tpa of pure ghee, 1,100 tpa of table butter, 1,490 tpa of instant quality coffee/tea whitener and 2,360 tpa of skimmed milk powder of instant quality. The plant is located 15 km away from Delhi. It falls under the notified backward area categorised as zone A by the government of Haryana. The location is characterised by easy and adequate availability of raw milk as Palwal is in the milk rich belt of north India.

The company will be marketing its products under its own brand name to wholesale distributors while the pouched milk will be marketed under its own brand name through its own distribution network. The company has already signed an MOU on an exclusive basis with Crescent Enterprises (BD), Bangladesh, for the total export of skimmed milk powder and coffee/tea whitener to be produced by it on a regular and continuous basis. The project is at an advanced stage of implementation. Commercial production will begin in this September. According to the appraisal of SBI Capital Markets, the company is expected to achieve sales turnover of Rs 4,845.29 lakh and Rs 5,249.00 lakh in 1994-95 and 1995-96 respectively and earn a net profit of Rs 272.74 lakh and Rs 289.03 lakh. Its Rs 10 paid equity share is expected to have an EPS of Rs 2.84 and Rs 3.01. To part finance the project, the company is entering the capital market with a public issue of 64,60,000 equity shares of Rs 10 each for cash at par totalling Rs 646 lakh including NRI reservation of Rs 240 lakh. Further, the promoters have brought in Rs 315 lakh. State Bank of India has sanctioned a term loan of Rs 100 lakh. Lease finance and state subsidy constitute Rs 200 lakh and Rs 10 lakh respectively. The issue for Indian public and NRIs opens on August 4. The issue is lead-managed by SBI Capital Markets. The company proposes to list its equity shares at Delhi, Bombay, Ahmedabad and Calcutta stock exchanges.

STI Granite India

STI Granite India, belonging to the Steel Tubes of India group, a market leader in precision steel tubes, is setting up a 100 per cent export-oriented unit for the manufacture of 1,55,000 square metres per annum of granite slabs, tiles and panels at Tumkur, near Bangalore, at a capital outlay of Rs 2,601 lakh. Breton Spa of Italy are supplying the entire line of machinery. They would also assist the company in training personnel at their works in Italy and as well as ensure satisfactory commissioning of the plant and achievement of the guaranteed performance both in quality and quantity. The total project cost Rs 26 crore is being financed through an issue of equity to the promoters, a public issue of partly convertible debentures and a term loan from West LB Europa Financial Services. STI Granite has already earned the honour of being the first company to be selected as an investment partner from the private sector in India for 15 per cent equity participation by the European Economic Community under its ECIP scheme. UTI has also agreed to invest in the company's equity. Orders for most of the plant and machinery have been placed. The company has acquired premium colour quarries to cover more than 100 per cent of the requirement. The company is all set to begin trial production in July and regular commercial production in August. Thus there would be virtually no gestation period. To part finance the project, STI Granite has come out with a public issue of 4,00,000 17 per cent secured redeemable partly convertible debentures of Rs 200 each at par totalling Rs 800 lakh. The amount payable on application is Rs 700 for a minimum of 10 debentures. Each debenture will have two parts, namely, part A of Rs 100 which shall be automatically converted into 10 equity shares of Rs 10 each on allotment and part B of Rs 100 which will be non-convertible carrying an interest rate of 17 per cent per annum and will be redeemed at the end of six, seven and eight years by payment of Rs 33, 33 and 34 respectively. An option to buy back the *khokha* has been arranged at the time of allotment itself with UTI at Rs 80 per debenture. Accordingly, the effective cost per equity share after *khokha* buyback would work out to Rs 12. The issue is opening on July 19.

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STATISTICS

Index Numbers of Wholesale Prices (1981 82 100)	Weight	Latest Week 12 6 93	Variation (per cent) Over Last Month	Over Last Year	Over March 27, 1993	1992 93	1991 92	1990 91	1989 90
All Commodities	100 0	237 9	1 2	6 3	2 1	9 8	13 7	10 3	7 5
Primary Articles	32 3	237 4	1 7	2 0	2 2	7 3	18 1	13 0	2 2
Food Articles	17 4	275 6	1 4	2 0	2 6	12 3	20 2	11 8	1 2
Non food Articles	10 1	228 7	2 6	1 9	1 9	0 6	18 0	17 0	3 6
Fuel, Power, Light and Lubricants	10 7	252 5	2 6	17 9	2 7	14 1	13 2	12 3	3 6
Manufactured Products	57 0	235 5	0 7	6 7	1 9	10 5	11 3	8 4	11 3

Cost of Living Indices	Base	Latest Month 1992 93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992 93	1991 92	1990 91	1989 90
Industrial Workers	1982 100	245[3]	0 8	6 1	0 8	9 9	13 5	11 2	6 5
Urban Non Manual Employees	1984 85 100	209[2]		7 3	6 8		13 5	11 0	6 9
Agricultural Labourers	July 60 to June 61 100	1,039[4]	1 3	0 7	1 3	12 3	19 3	7 5	3 2

Money and Banking	Unit	Latest Fortnight 28 5 93	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992 93	1991 92	1990 91	1989 90
Money Supply (M_3)	Rs crore	3,80,349	3,056 (0 8)	46,061 (13 8)	17,985 (5 0)	16,316 (14 7)	49,560 (18 5)	34,486 (14 9)	37,457 (19 4)
Net Bank Credit to Government Sector	Rs crore	1,88,032	2 275	20 181	11,858	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,713	571	24,156	4,654	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	24,128	1,190	5,234	792	6,155	10,098	1,915	149
Deposits of Scheduled Commercial Banks	Rs crore	2,76,452	1,708 (0 6)	36,431 (15 2)	9,305 (3 5)	36,389 (15 8)	38,217 (19 8)	25,583 (15 3)	26,809 (19 1)
Advances of Scheduled Commercial Banks	Rs crore	1,56,168	651 (0 4)	22,799 (17 1)	5 114 (3 4)	25,462 (20 3)	9,291 (8 0)	14,848 (14 6)	16,734 (19 8)
		Latest Week 18 6 1993							
Foreign Exchange Assets (excluding gold)	Rs crore	19,982	1,085	6,029	214	5,385	10,223	1,383	795
	US $ mn	6,305	400	855	162	746	3,383	1,137	854

Index Numbers of Industrial Production (1980 81 100)	Weight	Latest Month (Feb 93)	Averages for* 1992 93	1991 92	Variation (per cent) 1991 92	1990 91	1989 90	1988 89	1987 88
General Index	100 0	220 8	211 6	2 1	207 2	0 2	8 6	8 7	7 3
Mining and Quarrying	11 5	241 0	218 8	0 9	216 8	0 9	6 3	7 9	3 8
Manufacturing	77 1	210 5	202 3	1 8	198 7	1 4	8 6	8 7	7 9
Electricity	11 4	270 5	267 4	4 9	255 0	8 7	10 8	9 5	7 7
Basic Industries	39 4					3 8	5 4	9 9	5 6
Capital Goods Industries	16 4					17 4	22 4	7 0	15 9
Intermediate Goods Industries	20 5					6 1	4 3	11 5	4 8
Consumer Goods Industries	23 6					10 4	6 3	4 2	6 5
Durable Goods	2 6					14 8	1 7	12 0	7 8
Non Durable Goods	21 0					9 4	7 5	2 5	6 2

Foreign Trade	Unit	Latest Month (March 93)	Cumulative for* 1992 93	1991 92	1992 93	1991 92	1990 91	1989 90	1988 89
Export	Rs crore	6,086	53 351	44 042	53,351 (21 1)	44,042 (35 3)	32,553 (17 6)	27,681 (36 8)	20,232 (29 1)
Import	Rs crore	5,425	62 923	47,851	62,923 (31 5)	47,851 (10 8)	43,193 (22 0)	35,416 (25 4)	28,235 (26 9)
Balance of Trade	Rs crore	+ 661	9,572	3 809	9,572	3,809	10,640	7,735	8,003

Employment Exchange Statistics	Unit	Latest Month (Dec 92)	Cumulative for* 1992	1991	1992	1991	1990	1989	1988
Number of Applicants on Live Register	Thousand	36,759	36 759	36,300	36,759	36,300	34 632	32 776	30,050
Number of Registrations	Thousand	397	5 302	6 238	5,302	6,238	6,541	6,576	5,963
Number of Vacancies Notified	Thousand	40	421	460	421	460	490	599	544
Number of Placements	Thousand	24	240	254	240	254	266	289	330

National Income	Unit	1992 93	1991 92	1990 91	1989 90	1988 89	1987 88	1986 87	1985 86
Gross Domestic Product (current prices)	Rs crore			3 50,899	2 94 765	2 60,03	2,33,799	2,08,533	1,86,723
Gross Domestic Product (1980 81 prices)	Rs crore	2,21,168 (4 2)	2 12,316 (1 2)	1 88 009	1,70,205	1,64,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980 81 prices)	Rupees	2,222 (2 2)	2,174 (1 1)	2 069	1 902	1 871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year — Not available

Notes (1) Superscript numeral denotes month to which item relates, e g superscript[1] indicates that the figure is for January and so on
(2) Figures in brackets denote percentage variations over the comparable period of the previous year

Power Generation, Foreign Investors and Money Market Brokers

Arun Ghosh

Money can be borrowed in Dubai at 8 per cent. If one can get a government-guaranteed return of 16 per cent in foreign exchange after a wait of just two years, one would be a stupid financier not to go flat out to get the necessary papers signed quickly. Who knows, Narasimha Rao may lose his job, and a new prime minister may have other ideas on how to stimulate investment in the power sector.

THOUGH the story is generally well known, it needs to be repeated. The government of India has decided that in the interest of 'stabilisation', investment (even on the infrastructure) is to be cut heavily. The finance minister acknowledged as much when he cut the total capital outlay in the 1993-94 union budget to less than it was in 1992-93.

And so, in the power sector, N K P Salve has no choice but to *welcome* private foreign investment. But welcome is not the word; foreign investors are to be 'lured' into the power generation sector with easy and luscious pickings—terms which are so absurd that it is a wonder that there is no outcry among members of parliament, even from the ruling Congress party, against what is going on.

One had earlier heard that the government would guarantee a (tax-free) return of 16 per cent on foreign investment in the power-generation sector. The absurdity of this offer becomes patent from the fact that most State Electricity Boards (SEBs) are heavily in the red not because they are necessarily inefficient—some of them *are* inefficient, but not all—but because the tariff charged from both the agriculture sector and domestic consumers is heavily subsidised. There is the additional problem of 'theft' of power, which is in part a result of the increasing corruption of the body politic in the country. And, since the *distribution* of power continues to be the responsibility of the SEBs, any guarantee of a minimum profit to foreign investors implies that either the SEBs are pushed deeper into the red or the government gives a subsidy. Again, since the word subsidy is anathema to the World Bank—and in any case, the union government has to cut down on subsidies granted to reduce its own deficit—the SEBs will be required to pay higher charge for the power they may be forced to buy from the foreign investors, and thereby incur greater losses. They will then be told that they, namely, public sector enterprises in the state sector, are getting increasingly more inefficient.

But all that is in the future. In the meantime, there is a flurry of activity not far away from the shores of this country, in a country recently visited by the prime minister of India. Oman is to supply natural gas to India for which a pipeline would be constructed for the required conveyance of natural gas.

A highly rated power engineer—whose name shall not be revealed—was recently asked by some financiers in Dubai to prepare a detailed project report for the setting up of a gas-based super thermal power station in Tamil Nadu. The parameters were laid down by the financiers. The project was to cost Rs 4 crore per MW of power capacity. Yes that was laid down, when for a gas based power station to be set up in India today the cost should be Rs 1.5 crore per MW of capacity. And the project was to be based initially on liquefied natural gas (LNG) which involves very expensive transportation, in specially built refrigerated vessels in which the liquefied gas is transported at extremely low temperatures. Never mind that the cost of the LNG would, in the event, be very high; the centre would guarantee a return of 16 per cent; and LNG costs can be easily ascertained, so that there can be no questioning of power generation costs.

Why the LNG, and why the per MW cost of Rs 4 crore? The Dubai financiers are quite candid with the renowned power engineer. The equipment costs need to be heavily padded, 'cuts' of various kinds have to be passed on to politicians at the state and central levels. And where there are commissions to be paid, a sizeable commission must of course be siphoned off by the financier himself. An agreement in principle has already been reached, what is wanted is a speedy DPR by a renowned expert to clinch the deal.

Well, this particular gentleman politely declined a fairly luscious offer for the preparation of the required DPR, but doubtless there will be many other experts with slightly more flexible consciences. And doubtless, the project would get approved speedily thereafter, and the necessary guarantees issued, for the payment of the 16 per cent return on foreign investment.

Again, the Dubai financier is quite candid. Money can be borrowed in Dubai at 8 per cent. If one can get a guaranteed return of 16 per cent after a wait of two years, that is a fairly neat proposition. A gas-based station can be constructed and put on stream in two years. (A coal based thermal station may take five years from the commencement of investment to start up. One has also to worry about linkages for coal supply.) The government is planning to import natural gas via a pipeline. Natural gas can be used only after the pipeline is ready, which also may take a minimum of five years, and the pipeline may not reach Tamil Nadu, and so, the government is prepared to allow the import of LNG in the interim; the government is anxious to see some large power projects in the private sector fructify quickly; and if Indians are shy, the financier in Dubai is not, he knows how to make a quick buck.

Even the two year waiting period is not really a cost; a project which should cost Rs 1.5 crore per MW is going to cost Rs 4 crore per MW, and even after various commissions to be paid, there is a lot of money to be made immediately, while 'construction' is going on, because the agreement is for the construction of a 'turn-key' project. No equipment need be procured in India, Indians are not necessary for the project except for some half-starved Tamilians to do the actual physical construction work.

The stark tragedy is that the story is not a made-up one; it is a true narration of events by the renowned power engineer who declined to prepare the required DPR for submission to the IDBI (who, incidentally, have been 'instructed' to clear such projects for granting the rupee funds required expeditiously). And why blame the IDBI if N K P Salve and Manmohan Singh, between them, issue the necessary guarantees for repatriation of 16 per cent of the foreign investment, as return on capital (to be reckoned in foreign exchange terms!)? If I can borrow at 8 per cent and get a guaranteed 16 per cent in foreign exchange,

I would be a stupid financier not to go flat out to get all the necessary papers signed quickly. Who knows, Narasimha Rao may lose his job, and a new prime minister may have other ideas about how to stimulate investment in the power sector. Better get the DPR prepared by a renowned expert, get all clearances, and the necessary guarantees quickly, and the financier sitting in Dubai is really sitting pretty.

Meanwhile, if BHEL is denied all orders for new equipment for the power sector, that is too bad. After all, the PSEs are by definition inefficient, and should be privatised; BHEL can be sold off to the Alsthom GEC or some other foreign predator. That will give the erstwhile BHEL some orders for components, the profits would of course all be siphoned off. BHEL costs and prices do not justify a capital cost of Rs 4 crore per MW, the costs need to be suitably padded up. Sophisticated 'hi-tech' components (like instrumentation) will come from abroad, at a suitable price. Various commissions would have to be paid to diverse authorities; and now, it is no longer only the centre, the state governments need to approve of the projects, allow the land to be purchased, agree to supply water and other clearances and facilities, clearance from the environment angle being one.

The 'rent-seeking' activities decried by the likes of Jagdish Bhagwati, T N Srinivasan, Anne Krueger *et al* are obviously possible without the licensing system; and the 'rent-seeking' proclivities of private investors may well turn out to be greater than the petitfogging pay-offs inherent in the erstwhile 'industrial licensing' system. But then, those who today live in the land once enriched by the likes of Jefferson, Emerson, Walt Whitman, believe only in the market system. No matter that the only operators in the market are either thieves or knaves. The market system in the Russian Federation today has been totally taken over by the mafia; but that is of no consequence. That the market is a monopoly-monopsony, that the word 'efficiency' is a meaningless term—efficiency in terms of what criteria?—does not concern the learned neoclassical economists. The Dubai financier is obviously efficient; he knows how to make a fast buck without taking any risks. The consultant engineer who refused a slice of this delicious pie is obviously an inefficient guy in the market sense of the term. But at the end of it all, would we have an efficient power system? That answer should be provided by experts from the World Bank/ADB, who are obviously watching every action by the IDBI/IFCI/ICICI, for, in the final analysis, even these institutions can hereafter function only on the basis of largesse from abroad. One knows what the World Bank answer is going to be.

When a country cannot finance its own development, when a country has to keep borrowing even to service its past debts—which is another way of describing the debt trap—when a country loses its dignity and self respect, it deserves to be kicked around. The idea that we should keep playing at this game can appeal to only two sets of people, those who are too naive to realise what is going on, and those who have a flexible conscience and want to be in the swim for some part of the crumbs. For after all, no country can be economically subjugated by foreigners—no matter how clever they are—without *compradors* from within the country. After all, we have a long history of Jaichands and Mir Kasims (to give credit to both the major communities in India).

But, with capital costs of (foreign assistance-based) power generation projects going up to Rs 4 crore per MW, and with operations on the basis of imported LNG, at what price would power become available (after guaranteeing 16 per cent return on investment)? Would it be Rs 2.50 per unit, give or take a few percentage points? A gas-based power station can *at best* operate at some 49 per cent efficiency. What would be the average cost of power under the conditions indicated above? And, can India *ever* hope to be internationally competitive with such costs of infrastructure?

The surprising part of the story is that a large number of Congress MPs, and even many members of the union cabinet, know the inherent dangers of the policies being pursued. And yet, they are all silent spectators to this sordid spectacle.

So the story needs to be repeated again and again and again. May be, somewhere within the present government, somebody's conscience would suddenly awaken. May be, constant harping on this theme would divert people's attention from the futile debate on efficiency in the public sector *vis-a-vis* the private sector. Our efficiency, our honesty, our integrity, would, at a personal level, be as we make it; and depending on whether we work in the public sector or the private sector, the 'efficiency' of our enterprises would depend on our own efficiency.

But does that strike any chord today? Obviously, it does not. Would the obvious sight of this country being literally raped and ravished by greedy, slimy, devious (and at the same time) bullying international finance capital awaken in us the revulsion necessary to make us stand up and fight for our dignity and our rights? One has to wait and see.

DOCUMENTARY FILMS

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2) *In Memory of Friends (1990)*: On the legacy of Bhagat Singh and his relevance in the Punjab of today. (Awards: Jury Prize Mannheim, Germany, 1990; Silver Conch, Bombay, India, 1990; Best Investigative Documentary, India, 1990).

3) *In the Name of God (Ram Ke Naam) (1992)*: On the growth of Hindu fundamentalism as exemplified in the Ayodhya Conflict. (Awards: Filmfare, Best Documentary 1992; Ecumancial Jury Prize, Nyon 1992; Critics Prize, Friebourg 1992; National Awards Best Investigative Documentary 1993). * Available in Hindi or English subtitled versions (Please specify).

The 'Muslim Problem': A Perspective

Sudhir Sonalkar

The somewhat brahminical secularism of the secular Hindus would wish the Muslims to adopt lock, stock and barrel the marriage between Hindu and western ideals that symbolises the life and life-style of this elite.

TO talk of a 'Muslim problem' is objectionable in many ways. In the first place it almost smacks of a Hindu communalist prejudice, where an entire community has somehow come to represent a 'problem'. But even if one does away with this dimension of it, there are several things wrong with such an approach, not the least of them being the lack of homogeneity amongst members of the Muslim community, even amongst its elite, particularly in post-independent India.

A Tamil Muslim and a Keralite share probably little with a UP Muslim or a Maharashtrian or Gujarati Muslim. In fact, even within a state, diversity exists among regions. Then there are some differences in strata. There is one dimension that is different from the years immediately after independence and today, however, and that is the coming to centre-stage of Hindu communalist politics in the country, whereby the BJP and like-minded forces set the agenda, not so much for the nation, as for secularists and Muslims. It is probably more correct to say minorities in general and Muslims in particular but here we are primarily concerned with Muslims and shall restrict ourselves to them.

On the part of the Muslims, in addition to communalisation and polarisation of politics in India in the recent past, is the fact that they react with some degree of homogeneity when it comes to their religion both on issues that are local and issues with international repercussions. As we shall see later on, this sense of belonging to a wider international community by no means points to Muslims being insufficiently patriotic or being anti-national. The fact of the matter is, however, that while over and above their heterogeneity, the Muslims have traditionally possessed a wider religious identity, a far more eclectic religion like Hinduism is now attempting to imitate this and that too from the top.

There is no need to reduce the problems the Muslims face, or the problems created by communalism in general to a purely economic set of causes in a mechanical cause and effect manner. However, to give the entire paradigm something of a historical base, a brief outline of the economic situation prevailing might help.

It is a fact that capitalism did not come to India through an indigenous change, either via the landlord to capitalist form or the peasant to capitalist form. At least not to a substantial extent and at least not till the British left. There was instead, under British rule, deindustrialisation and impoverishment. The only classes that remained wealthy from the older order till partition and independence were those that were loyal to the British, a situation that changed radically thereafter.

Unlike among the Hindus, there was no indigenous Muslim capitalist class that developed under the British into a modern one. Those that did, migrated to Pakistan in 1947, with the exception of some Gujarati speaking Muslims in western India. They too did not go in for industrialisation in a big way but remained largely in trade or extensions of traditional occupations. In the countryside, the post-independence land reform, incomplete though it may have been, impoverished many a Muslim landlord more thoroughly than it did many a Hindu zamindar. This was particularly true of the Marathwada region of the earlier Nizam state of Hyderabad. This is more in the nature of a hypothesis, however, and needs further investigation and verification.

The point to emphasise is that deindustrialisation (throwing many an artisan out of work as it did), absence of a strong industrial capitalist class, land reform, and finally active Hindu prejudice has made the large mass of the Muslim community an impoverished one. This is further exacerbated by the absence of the spread of modern education, particularly higher education, amongst them. Unlike the dalits of Maharashtra, who under the inspiration of Ambedkar, actively took to education and created a sizeable middle class the Muslims did not. It is not to be forgotten, however, that they were not aided by any reservation clause after independence unlike the dalits, and their representation in almost every field both in terms of employment in the public and private sectors and in other fields, has dropped drastically.

To a great extent, the nature of the problem we are dealing with, is a post-partition problem. There is no doubt that the pre-partition Muslim elite took an extremely communal stand, forgetting that the call for Pakistan would actively work against the interests of their less privileged brethren.

There are a number of problems of the Muslim elite in the pre-partition days and when we deal with Muslim communalism in a more detailed fashion later, we shall see the role played by certain fairly dominant sections of the Indian national movement in exacerbating these problems. The problem remains, however, that the separatist demand for Pakistan was a blunder that the Muslims as a whole, particularly those in post-independent India suffered from the most. And the responsibility for this lies squarely with the Muslim elite. However, as we have seen, the class character of the Muslim elite was such that it shaped such an attitude in consequence.

Partition, despite Nehru, Gandhi, Maulana Azad and other secular leaders, no doubt strengthened Hindu communalism in India. The revulsion at Mahatma Gandhi's assassination offered a strong deterrent to an earlier rise to 'eminence' on its part on the national scene, as did the staunch secularism of Nehru in particular that, with the slogan of unity in diversity attempted to create a largely secular ethos for post-independent India.

It is important to view the entire paradigm closely, emphasising that the pre-partition and post-partition situations differed radically, particularly as far as the Muslims were concerned. While before partition, there was, however unrealistically, the promise of Pakistan to look forward to after the two countries became independent and separate, for the majority of Indian Muslims there was only the disaster born out of a phenomenal blunder to be faced.

Those, particularly amongst the Sangh parivar who equate the situation before partition and after, have only the mischievous aim of creating the bogey of another partition and fragmentation of the country. This time around it is solely Hindu communalism that is creating the tensions and riots and spreading hatred and prejudice and, in addition, neither are the Muslims asking for partition, nor is it possible even in their minds, that such a partition can come about.

The impoverishment of the Muslim community we talked of earlier, and the migrations caused by partition have also left the Muslims community largely leaderless. This goes a long way in their having been unable to effectively organise to put forward their real grievances.

There is a factor to be added here that needs something of a knowledge of the enlightened Muslim viewpoint to be able to discern the causes behind this abysmal lack of real leadership of the Muslim community. This is the feeling amongst Muslims in general, both modern and orthodox, that the secular Hindu elite too is prejudiced in its own way against the Muslim community and this prevents the rise of a genuinely secular ethos in India.

One of the reasons behind this substantially just (to my mind) accusation of Muslims is that secular Hindus are dominated by, if not almost wholly represented by, both in terms

of their vocalness and leadership, members of upper caste communities This rather brahminical secularism as I shall call it, has the peculiar notion behind it of considering the marriage between Hindu and western ideals that symbolises the life and life-style of this elite as one that, consciously or unconsciously, they would wish the Muslims to adopt lock, stock, and barrel

One Pakistani leftist journalist has even accused some Indian communists of retaining their Hindu identity Before reacting to such an accusation out of hand we may do well to look at ourselves closely and uncover the truth of the matter When we look later at the fact that in post independent India Muslim intellectuals live in a Hindu ethos but Hindu intellectuals do not live in a Muslim ethos we shall be able to fathom some dimensions of this problem

Muslim Grievances

We talked of the real grievances of the Muslims What exactly are they and how are they different from imaginary grievances and what should be done about them? Syed Shahabuddin of late has come out with a number of statistics of the active and deliberate or passive but actual discrimination against Muslims in many fields Some of the figures given by him and others will make many a conscious Indian of Hindu or non Muslim origin sit up and think seriously and see how invisible the *real* 'Muslim problem' has been made by both the mainstream intellectuals, media and politicians as well as by the Sangh parivar variety of people

In the defence services, says Moin Shakir the representation of Muslims at the time of partition was 32 per cent and had now gone down to 2 per cent Shahabuddin gives the same percentage, 2 per cent, for the employment in the public and private sectors Abul Hasan Ali Nadvi states that from 1946 to 1952 only three Muslims were taken into the Delhi police force Statistics only help concretise a reality deeply felt and experienced among Muslims

Muslims find it difficult not only to get jobs but even accommodation, or to acquire property in Hindu areas With the communalisation of the atmosphere in the country this now increasingly applies to the more westernised and well to do amongst them too I am stressing the economic grievances here We shall go into the cultural grievances and the Hindusation of education a little later I am here not touching upon the latest grievance, the demolition of the Babri masjid

The fact of the matter is, however, that in spite of such rampant poverty and such serious problems of an economic nature, the Muslim community have virtually never been organised by its leadership on these issues It is only cultural grievances, both real and imaginary, that seem to psychologically move the Muslims.

A third form of grievance, which we shall look at again shortly is the partisan behaviour of the police, particularly at times of a communal riots Almost always they suffer more at the hands of the police after a riot and almost always many of the real culprits go scot free This grievance too is not without considerable substance

And in fact the nodal points that both increase and exacerbate their grievances on the one hand and polarises them further from the Hindu community on the other are communal riots Today anti Muslim riots are becoming virtual anti Muslim pogrom but even earlier after partition the greater sufferers were always the Muslims The systematic hunting down of victims and attacking them while it might have become far more chillingly organised now was always a fact to be reckoned with for the Muslims This implies both deliberate intent on the part of the fanatic Hindu rioters and tacit support from at least a section of the Hindu population With the Sangh parivar riding high it would indeed be strange if the Muslims as a community today were not in extremely worried lot

What happens after a riot? The considerable loss of life damage to property and disruption of the fabrics of living apart they face discriminatory treatment from the police are arrested *en bloc* beaten up and many Hindu goons they know to be behind the riots go scot free This increases the sense of insecurity of the Muslims All this leads to ghettoisation of the community There have been during all the communal riots, instances of humanitarian bravery where members of one community have helped the hapless victims of another in the face of a rampaging mob After a while though this protection seems inadequate and the Muslims in particular tend to migrate to majority Muslim localities And since by and large the community is poor this leads to the creation of ghetto increasing polarisation and communal tension

What is even more horrifying and worrying is that in the face of the determined campaign by the VHP RSS Bajrang Dal etc to spread the poison of communal hatred even tolerant Hindus veer over to the side of the communal elements This happened for instance in Ayodhya where when the kar sevaks were gathered to demolish the mosque they were given accurate information about Muslim houses and families by the local Hindu population before the kar sevaks went on a rampage of killing, looting burning and demolition Earlier the same Hindus of Ayodhya had deplored the plan to build a Ram temple at the site of the mosque and had said that the problems between Hindus and Muslims were entirely the creation of outsiders and that in Ayodhya no Hindu Muslim tension existed This sort of change in attitude is the real basis of the growth of communal organisations The pious turn communal in such an atmosphere, or tend to.

We talked of the economic grievances of the Muslims, and pointed out that often their cultural grievances, real or imaginary—over the campaign to change the personal law, the question of banning Salman Rushdie's *Satanic Verses*, etc,—would be the less important ones, are more potent material for the organisation of the Muslim community than the real day to day grievances in living Why is this so?

One of the main reasons, according to this writer is the crisis of identity that Indian Muslims faced after independence and partition There has been no doubt considerable Hindusation of culture in post independent India and the composite culture of the past has been largely set aside The Sangh parivar is now setting about wiping out the history of India after the arrival of Islam in this country and trying to return in a wholly distorted way to a pre Muslim notion of the Indian nation state and culture In these circumstances, it is small wonder that the Muslims feel that their identity is being swamped They, as a result stick more closely than ever to it and create and exacerbate their problems in independent India further creating an ever tighter vicious circle of which they are the greater sufferers but all India loses However in this connection I would like to reflect a little on the much abused concept of renaissance that is so misused by the Hindu communalists and which needs to be further explicated

The Bengal renaissance that occurred in the 19th and 20th centuries was in essence a Hindu renaissance And its focus whether its participants, from Ram Mohun Roy to Satyajit Ray, were actual members or not was the Brahmo Samaj and the ethos it created among the enlightened Bengali bhadralok community Its essential character was the fusion of select aspects of western liberal ideas and select elements derived from Hindu culture to create a distinctly new ethos Even Vivekananda whom the revivalists claim as their own today, represented a similar interaction The Hindu revivalist effort today which tries to imitate what it perceives as the monolithicness of Islam, essentially hides hierarchy, inequality and elitism under the garb of a populist consensus

The renaissance was, no doubt to a great extent a middle class or 'babu' affair, but particularly with the coming of Tagore, it gave Bengal an identity even Bangladesh today more or less accepts as its own The most important points to emphasise however is against the revivalists' usurpation of the word renaissance, are that on the one hand it wanted to reform Hinduism as well as take from it only certain select aspects of a humanitarian nature and on the other, it

unequivocally.

This much is undeniable and no secularist will flinch from it. However, what is forgotten is that in a slightly overlapping and slightly later period, in other parts of the country something of an Islamic renaissance also took place which is as much the heritage of India as the Bengal Hindu renaissance was. And just as the vehicle of the Bengal renaissance was the Bengali language, the vehicle of the Islamic renaissance was largely Urdu. Many an Islamic intellectual in the 20th century was attracted to the left This particularly increased after the Russian revolution and Muslims were well represented in the Indian communist movement. Even Iqbal, a strongly orthodox Muslim who deplored the ungodliness of the communists and who rather made little of nationalism, was attracted by the Bolshevik revolution. But in any case, Iqbal or no Iqbal, this tradition continued and some fine literature was produced in Urdu that demonstrated the influence of the left on the Muslim mind. Names like Ismat Chugtai and Sadat Hasan Munto come easily to mind, but there were several others *

If the Hindu renaissance was a Bengali affair, with Calcutta as its focus, the Islamic renaissance, though all-India in character, found a particularly friendly home in Bombay. This led later with the help of IPTA to the great proliferation of artists in every aspect of film production in the Hindi film industry, despite the largely lumpen nature of its finance which has led to a rather murky state of affairs today. The trouble is even when it is appreciated and acknowledged, the left Islamic character of this renaissance is denied and Urdu in any case is not only given stepmotherly treatment, but virtually is in danger of being stamped out in the land of its birth. But more of that later.

What is perhaps more important to realise, is that when we talk of unity within diversity, this particular kind of interaction of Islam and the left is unique to India. In Afghanistan in recent years, communist ideology was imposed till it was overthrown. In the Soviet Muslim Republics, though more successful, communist ideology cannot boast of having interacted with Islam. Elsewhere the two are at loggerheads. In Turkey earlier, Kemal Ataturk embraced liberal and not leftist ideology.

Muslim Communalism

We talked of Muslim communalism earlier. What exactly does this consist of in post-independent India? And what were the factors other than the demand for partition that gave rise to it before independence? There are various Muslim organisations in post-independent India that may or may not have been in existence before that are. A very brief look at some of them will help us both to identify which of these organisations are really communal and what is the exact nature of post-independent Muslim communalism in India.

First of all there is even now the very active non-political organisation of Muslims, Tablighi Jamaat. It exhorts Muslims to be pious, but also advocates a certain co-existence with other religions. Its real enemies are modernity and ungodliness. Thus while it is not secular, while it hinders the modernisation of the Muslim community, it is not communal. Its role does not imagine on the concept of nationality either. This organisation is growing in strength due to its non-political or 'pure' religiosity.

The Jamaat-e-Islami is similarly against modernity. It is political and represents, in its own words, "The Islamic traditional answer to the modern ideological challenge both of communism and liberalism". While mainly rooted in the middle class, it is finding wider roots. The Jamaat-e-Islami spells out the tragedy of the post-partition Muslim elite and its leadership over the community. Unable to come to terms with modern political forces like democracy and socialism, its ostrich-like attitude, when faced with Hindu communalism, necessarily turns it also willy nilly in a communalist direction.

The Muslim League after partition decided to devote its attention to "the promotion of religious, cultural and economic interests of the Muslims of the Union". Thus while its role in independent India is quite different from its earlier role, i.e. it is definitely not calling for another partition of the country, its pro-partition past hangs like a ghost over it and forces it occasionally in a communal direction.

Unlike the above two political organisations, which are ambiguous creatures, the Jamaat-Ulma-e-Hind talks of a 'Muslim nationalism'. This gets it into a trap and it is in general more backward-looking than even the Jamaat-e-Islami.

The Majlis-e-Mushawarat is a federation of many Muslim organisations including some of the above. Its looseness does not prompt it to be communal, but since it was formed in response to the frequently occurring communal riots, it is constantly involved in tricky questions and fails to avail of many of the democratic possibilities in India. But it is largely a defensive organisation and not communal.

Much of the growth of communalism in these organisations, to the degree that it exists, however is a result of the increasing militancy of Hindu communalism. And as Syed Shahabuddin points out, Muslim communalism is not chauvinism, since it does not say "we are the country, you are not the country". Nevertheless, it cannot be denied that essentially the anti-modernist view of vicious circle of communal polarisation.

But in the face of Hindu fanaticism, particularly today, when dialogue has ceased, what are Muslims to do? It is unfortunate that the Muslims who stayed on in India—and they are the large majority—did not adequately heed Maulana Azad's exhortation to them to join secular organisations in a big way. Today this view may change, but even secular politicians and intellectuals have to study in depth the problems of the Muslims sympathetically and not become defensive towards charges of minorityism.

Even though the pre-partition and post-partition scenarios are different, there is some continuity and in this it should be noted that even before independence, the Hindu chauvinist groups were active. They infiltrated the nationalist movement in a big way particularly during the Mahatma's temporary withdrawal from active politics and the formation of the Swaraj Party under Motilal Nehru and its infiltration by the Hindu Mahasabha. In fact it is definitely to some extent the increasing pressure of the Hindu group within the Congress that ultimately forced Jinnah to abandon a united struggle and opt for Pakistan.

We talked briefly of some of the Muslim organisations. The other aspect apart from their aversion to modernity, is the need to survive in post-partition India. In this they have chosen to ally with one party or another, and it is a fact that despite the much cleaner record of the left on the question of secularism vs communalism, they have largely chosen to ally with the Congress.

The reason is not far to seek. While the secular character of the Congress was always ambiguous, and though it has now virtually abandoned it, it is also true that unprincipled alliances by secular forces in the past on the basis of a blind anti-Congressism have helped largely in letting the BJP type forces come out of the ghetto into which they had been forced. When faced with a choice where secular parties were allied with Hindu revivalists (at least electorally) on the one hand and the Congress on the other, the Muslims have generally chosen the Congress. Today the choice is even grimmer, with the Congress losing even its marginal commitment to secularism.

If the Muslims fail and the elite particularly so in not giving modernisation any room, if they resort to pragmatism in terms of their political participation in the country's democratic process even so the sense of brotherhood of Muslims that they share with other Muslims the world over is not anti-national.

Let me clarify. In practical terms, the Indian Muslims in large numbers are hardly likely to indulge in acts that are against the nation's interests. Comparisons with Sikhs

are misleading. The kind of terrorism that developed among the Sikhs and notions of a separatist nationalism has behind it the green revolution, the emergence of a kulak and entrepreneur class, a contiguous territory and some cussedness on the language question on the part of Punjabi Hindus.

Many of these factors are not relevant for the Muslims. They are largely poor, they do not live in concentration in a region, and while they face more than linguistic cussedness from the Hindus, are by and large helpless to do anything about it, except, in practical terms, with the help of secular minded Hindus. Kashmir is a separate issue and not discussed here and Muslim terrorism like the bomb blasts in Bombay is necessarily at least partly imported.

We shall now turn our attention to some of the cultural grievances of the Muslims that have a real basis in actual conditions and are quite separate from more obscurantist demands.

We said right in the beginning that there is, in fact, a lack of homogeneity among Muslims. This is not only regional but also according to class and strata. Even so, Urdu and its preservation and development are crucial and central to the cultural grievances of the Muslims. It is the one monumental cultural product of Hindu-Muslim cultural cross-fertilisation and even if it is more close to the hearts of the elite, it is important indirectly and directly for the large mass of the people also. In UP, Bihar and areas of the former Nizam state of Hyderabad this is particularly so. The objection to Urdu is really odd. It is a rich language and is spoken nowhere in the world except in the Indian subcontinent. In fact other Indian languages like Marathi too have imbibed a large number of Arabic and Persian words. This is healthy and except for some mindless fanatics who want to remove these words which are in common usage from Marathi, no one objects to their presence. Then why object to Urdu, which also draws both from Sanskritic origins on the one hand and Arabic and Persian origins on the other?

The drive for Sanskritisation of Indian languages including Hindi is somewhere related to the notion of contamination that exists in the caste system. Only the Sanskrit-derived, like the brahmin, is pure and all else is contamination of the essence of the language. If such an attitude had been adopted by the pundits of English, one wonders what the total vocabulary of English today would be—one-fiftieth its present size?

And apart from a brahminical intolerance in general, there is more specific discrimination and more virulent opposition to anything that is even remotely connected to Islam in the minds of the Hindu fanatics. The unfortunate thing is that they have had their way to a considerable extent on this question. It is still not too late to reverse the trend however, and the question of the fate of Urdu should be one of the top priorities of secularists.

The second issue, and one which arouses even more passion on both sides is the issue of Aligarh Muslim University and its minority status. One of the reasons for this is historical. The demand for and the concept of Pakistan emerged first in Aligarh. The first ideologues of partition were from there. Yet it must be understood, as in the question of Muslims in general and Muslim communalism as we saw earlier, the situation before and after partition is completely different.

Anti-modernity, anti-communism and anti-liberalism are the bane of the Muslim community in general in recent times. This affects Aligarh too. The renowned communist historian Irfan Habib suffered at the hands of Muslim communalists in Aligarh.

Yet this is not the only face of Aligarh. Modern subjects and modern disciplines are very much taught there. Also many a scholar there devoutly wants to prove that Islam contributed to Indian culture. Also, in the face of the treatment meted out to Urdu, or as we shall soon see, the Hinduisation of texts, particularly history textbooks, a haven for the Muslim point of view is a natural reaction. The alternative to having a continued existence of a minority university in the country is to give Islam and the culture born out of the interaction with Islam its rightful place in our national life.

It is also to be wondered as to who really suffers from the anti-modernism of the Muslim elite. Surely the Muslims themselves, not the Hindus by any means? The attitude if anything should be one of sympathy. The notion that it is a threat to Hindu interests is pure fascism. But even that is not the point. As we shall stress later, it is important to stop trying to live in pre-Muslim India if we are to create a truly secular and Indian state, culture and society.

The third grievance and one that is actually the basis of a sort of communal consciousness is what we have done to our history textbooks in particular, and even more particularly so, in schools.

Moin Shakir in his book *Muslims in Free India*, has given sufficient evidence that both in history and general language textbooks, not only is a pro-Hindu mythology education given but anti-Islamic sentiments are actively attempted to be cultivated. There is little chance of young children exposed to such education growing up into secular adults. And given the prevalent communal atmosphere, and the level of literacy, where the printed word is gospel, the communalisation of minds, particularly young minds is likely to be even more rapid.

The drive to spread literacy thus, particularly with organisations like the RSS and VHP reaching the villages, is in fact likely to communalise even the village children, and one wonders whether if one does not consciously try to counter this trend, if the growth of literacy may not in fact become a menace in disguise.

What is the particular obsession of the Hindutvawallahs in their propaganda? It is medieval Indian history, which is generally known, however wrongly, as the Muslim period. Feudal though they were, the Muslim leaders of the time, like all rulers anywhere, needed law and order, the creation of an elite and the support of their subjects. The various steps taken by many of these rulers to rule wisely according to their own lights, are not accorded a place in the account of their rule meted out by the propaganda of the Hindutvawallahs. The text books mentioned earlier, it is true, are not quite as virulent in their anti-Muslim bias as the kind of filth spread by the Sangh parivar in their propaganda. But education through such text books acts as a fertile seeding ground for the blurring of boundaries and for making unreason and prejudice reign supreme.

As it is, the history of the people is not taught in our schools or even substantially in our colleges and universities. To add to this the bias of bigotry of the so-called intellectuals of a particular community is to tamper seriously with education itself. And what is needed here is not mere tolerance or defensiveness but an active thrust to create a composite culture and secular attitude among the students.

What has gone before has tried to locate the problem in specific co-ordinates. What is lacking, however, this writer strongly feels, is a deep enough knowledge of the day to day lived life of the Muslims. It is my contention that the fact that in post independent India, Muslim intellectuals live in a predominantly Hindu ethos, Hindu intellectuals do not live in a Muslim ethos. And an ethos, in any case, is composed of day to day give and take and sharing as well. This is one aspect of the problem and one area that represents a gap in terms of research that speedily needs to be filled by adequate work.

The other point is that in all cultural production, willy-nilly, the received tradition, which includes religion, affects the produced work even in secular writing and in other arts. We are thus unconsciously affected, by way of usage, associations and works and myths if we speak and read any language or practice any art. This applies to India as much as elsewhere. Even Urdu has Hindu roots, but it has strong Islamic roots too, and this marks it out to some extent from other Indian languages. In arts as well as in languages other than Urdu today one increasingly hears a strong Hindu echo.

Perhaps I should stress that this state of affairs is one that obtains more today than in the past. Perhaps before this contemporary polarisation began, cross cultural references

since works from Arabic and Persian, Islamic artistic forms are part of the vocabulary of most Indian languages and arts. Composite cultural art forms have certainly developed in the past.

At any rate, today, the Muslim intellectual is surrounded by both the day to day lived life of the ordinary Hindu cutting across class lines as well as by the subtler influence of cultural production. To genuinely understand what this does, it is important to reverse the situation and for Hindu intellectuals to live in the Muslim ethos so that a new cross-cultural awareness dawns.

The more radical communist intellectuals, particularly the Naxalites in recent time used to talk of a process called declassing oneself. The idea was to lose the petty bourgeois viewpoint one had inherited and acquire a proletarian one. It seems to me that much of their effort was a cultural one. After all, many of these activists lived amongst the people even as they tried to spread their message. What they can be faulted for is having too many pre-conceived notions. Not in their commitment or willingness to communicate with the people.

Ours is a divided and hierarchical society. The once proud Muslims are in fact fast acquiring the status of the lowest caste in the society. In this situation, I think that like declassing, a process of de-communalisation is in order to be able to acquire a correct perspective. Unlike the declassing process however, what is sought is a new and personal experience of cross-cultural fertilisation that can lead to further secular intellectual and cultural production. If this is indeed so, particularly in the face of the consumerist onslaught from the west, it must be realised that the committed non-Muslim intellectual will have to submit to 'Islamisation' to a certain degree.

One of the aspects of late monopoly capitalism in the west is deculturisation through commodification of areas of human experience that have till recently not been commodified. In the resultant reified 'culture', of commodity fetishism there is a process of de-humanisation. When we thus fault the Muslims for not modernising, it is not contemporary modernity or post-modernity, that is being referred to. For this reason, for a genuine cross-cultural, composite, yet modern cultural sense to emerge in our culture, which has deliberately de-Islamised and continues to be increasingly so, it has to be re-Islamised to a certain extent for a genuine secularism to emerge.

Perhaps this requires some clarification and elaboration. Till about the 1960s, the western world contained quite a lot of cultural vitality. The two pillars on which this modern ethos rested were political-democracy and socialism. What exist there today is largely a form of market totalitarianism.

[illegible] of its own values of a fairly recent past, does not mean we have to follow suit. We can rescue these values. An interaction between these eclipsed values and both Islam and Hinduism is necessary. Islam cannot be left out.

In this, the earlier reference to the two renaissance processes what in our hypothesis occurred in India has to be borne in mind. They probably provide some vital clue. While it is true that in still largely agrarian India the attempt to assert a secular [illegible] Bhakti type of interaction and co-existence, this is somewhat inadequate. The pressures of modern life demand a modern idiom. Perhaps even the two renaissance processes that have already occurred have to be transcended, but I feel they provide a good starting point.

Note

* This writer has read Urdu literature in translation alone.

Two Banks and the Drug Industry

S Srinivasan

This is a tale of two banks, the State Bank of India and the World Bank—of how these two banks view the drug industry in two underdeveloped countries, the former in India and the latter in Bangladesh.

I

LOCOST is a voluntary organisation that has been in existence for 10 years. Based at Baroda in Gujarat, LOCOST, registered as a public charitable trust, has been active in the production and promotion of essential, generic drugs and rational therapy. It was founded by a group of socially-minded professionals involved in the movement for relevant health care and community health. The idea of LOCOST was a concrete response to two felt needs: (a) the need for a one-point source of good quality, essential drugs for especially those working with the poor in remote rural areas; and (b) to create a focal counterpoint for the mainstream drug industry's claims on pricing, production and promotion of drugs. In other words, LOCOST has been trying to do for the last 10 years what the Hathi Committee (1975) had advocated for the country's drug industry: matching drug production to the real drug needs of the community. Though small in size, LOCOST has been a modest success story almost right from the start: it has been catering to a needy and neglected sector, its prices were anything from 200 to 4,000 per cent lower, and the LOCOST idea was backed and owned by those it sought to serve. For the last 10 years, 80 per cent of its drugs have been sold to those working with the rural poor and the rest to those working with urban poor. All this had been achieved with the goodwill of far-flung and inter-twining networks of progressive health and social action groups. The concept of medical representatives—peddlers of pills and as often of disinformation—and all that goes with it was deliberately avoided by LOCOST. LOCOST thus demonstrated that given willingness and competence, alternative people-oriented production and marketing arrangements can be made that match the disease pattern of the country.

LOCOST also has been making enough profits to pay for its overheads and more—and this is important for this story.

Around 1991, LOCOST mandated by a national consultation of health activists decided to shift from the loan licence system of manufacturing to establishing its own formulations unit. Having secured a niche market, to use contemporary jargon, LOCOST was confident of the techno-economic feasibility of its new formulations unit, and approached its usual bankers, the State Bank of India, with whom it had been maintaining a 'healthy' deposit, to fund the new proposal. This was in March 1991. We shall spare the reader all the buffeting and bureaucratic insensitivities and delays that are endemic to banks when they have to consider socially useful projects, especially projects not backed by political fiat of some kind or the other.

The project application of LOCOST was rejected with no written reasons given and its demand for re-evaluation effectively stonewalled. An internal communication of the bank elucidating the reasons for rejection, however, read as follows:

> 3 A Perusal of the report reveals the following unsavoury features:
>
> (a) The unit, promoted by a Public Charitable Trust, does not have profit as its prime motive. The noble intentions of the Trust to supply good quality medicines to the targeted clients at affordable prices is undoubtedly laudable, but by no stretch of imagination an attractive commercial proposition. In sum, the economics of the projected operations is adverse.
>
> (b) The technical officer has observed

that the Trust depends entirely on the contacts of the Trustees for marketing its products The marketing arrangements are grossly inadequate to cater to a scattered market as also to achieve projected sales of Rs 37 lakh

(c) The proposed market segment by choice, is restricted to voluntary health organisations We apprehend constraints on the expansion of the market and its consequent effects on profita bility

(d) The Trustees assumption that the market is competition free is naive The selected market segment has failed to attract other players in view of poor profit margins The Trust is not positioned any better merely due to its constitution and humanitarian objectives

(e) Small scale units in this line of activity are known to survive by dilution in quality cutting corners and speculative hoarding The corporate policy of the Trust unit proscribes it from resorting to such practices which are unethical yet vital for the survival of the unit in the present market scenario

(f) The projected raw material consumption is inconsistent with the industry standards and the unit's past trends evidenced by its recent financials Likewise, the projected selling, general and administrative expenses are out of line with the actuals thereof In this context, it merits mention that the location of the unit, being far away from the consumer market may not be ideal from the angle of transportation costs

(g) Arising from (f) above it transpires that the gross profit margins are woefully inadequate to service the intended debt

(h) The industry in the current context, is sandwiched between controlled prices of finished goods (DPCO) and unbridled prices of raw materials The unit seems ill equipped to fight against such heavy odds

4 In light of the foregoing, the economic viability of the proposed project is totally in doubt We have, therefore, declined LOCOST's application for sanction of financial assistance

Several strands of questionable judgment are apparent in the above The bank's reluctance to look into an alternative production cum marketing venture and a successful one at that the appraisal officer's indifference to and ignorance of an entire realm of progressive debate in health and pharmaceuticals – these are certainly visible and expected What should cause concern but perhaps should not if one now sees what the bank had been up to with stockbrokers —is the reluctance to back ethical business behaviour On the contrary, the bank would seem to be comfortable and thinks the only sound business strategy for survival would be to cut corners, dilute quality and indulge in speculative hoarding The Trust and Trustees being do gooders was a point that went against them and in any case it is a sign of the times how can do-gooders be trusted by banks when banks have more profitable company to keep?

LOCOST, let us end this part of the tale on a happy note, went ahead regardless, thanks to a consortium of foreign funding agencies and charities Production in its new unit started early 1993 in the presence of social activists and two outstanding do gooders of our times Rajmohan Gandhi and Zafrullah Chowdhury, the architect of Bangladesh's redoubtable drug policy It is with the latter's tribulations that the second part of our tale is concerned

II

Bangladesh, in the true spirit of 'South Asian co operation', is the only country to have implemented the government of India's Hathi Committee recommendations (perhaps there is a moral in that somewhere) To recapitulate, Bangladesh, among the poorest countries in the world, defied western government lobbies and pressures of the MNC lobby, and enforced a restricted list of essential drugs controlled prices of the same and made it illegal to sell almost all multi ingredient formulations Out went almost all tonics syrups, elixirs and a lot of exotic irrational and unscientific formulations This was circa 1982

The policy has since survived several storms and studies have revealed that the policy has been a real boon for the people Prices have stabilised, quality has vastly improved, unnecessary imports have been cut as also profiteering by MNCs and others through such time worn devices as transfer pricing Moreover, the 'Bangladeshi owned drug industry now dominates over MNCs in terms of market share There is order now in Bangladesh drug industry whereas previously there was chaos (for an experience of such chaos look at the mind boggling amount of useless, harmful and unscientific formulations made by the Indian drug industry and what little our authorities can do about it)

The industry especially the MNCs, did not see this as a win win situation Their freedom to introduce new drugs and formulations stood curtailed even as prices and imports were strictly monitored Several international agencies and diplomatic mission of western governments have tried to upset this apple cart in the last decade The World Bank has, it appears, now decided to pitch in too In letters dated April 13 and June 8 1992 the World Bank's Chief of Industry and Energy Unit, Abid Hasan has tried to put forth and then clarify' a few points regarding the bank's views on deregulation of the drug industry in Bangladesh The letters mention the following specific recommendations of the bank for the drug industry

(1) Allow introduction of new products by using free sales certification
(2) Lift all controls on prices
(3) Remove the control over advertising from the drug licensing authority
(4) Remove existing restrictions on foreign firms in the area of choice of products *they can produce*
(5) Abolish the Block List system of approval for import of pharmaceutical raw materials and allow pharmaceutical companies to import their inputs freely

Some comments on the above, within the limitations of space, are in order here The letters from World Bank like the earlier letter of India's own State Bank, reveal a complete lack of awareness about the historic import of an essential drug policy such as that of Bangladesh, let alone its relevance and essentially scientific nature for fighting disease

Free sales certification This means different things in different countries But in effect it will work against the limited essential drug policy of the country, it advocates introducing drugs on the basis of its free sale certification in other countries and thereby invoking the very distortions that Bangladesh has successfully managed to ward off The only basis for a drug to be sold should be medical need utility, safety, least side effects and cost effectiveness and not free sales certification

'Lift controls on prices The average Taka retail price increase of drugs in Bangladesh during 1981 1991 has been 20 per cent and the average dollar retail price has actually decreased by 41 7 per cent thanks to the check on transfer pricing, among others The drug pricing policy of Bangladesh is uncomplicated and simple mark up in addition to cost of raw materials and packaging (100 units) has been graded according to the following categorisation of pharmaceutical products

(a) Simple repacking which does not require any processing can have a mark up of 60
(b) Oral products other than antibiotics creams and ointments, etc will have a mark up of 125
(c) Oral antibiotics coated tablets, sustained release dosage forms, soluble tablets, suppositories and vaginal tablets will have a mark up of 130
(d) Products requiring terminal sterilisations and hormonal preparations, etc, will have a mark up of 180
(e) Products requiring total aseptic facilities will have a mark up of 240

Retailer's commission is 15 per cent on MRP (maximum retail price) and distributor's commission is 8 per cent on wholesale price Under this price regime many companies, both national and multinational, have been selling at prices lower than the permissible mark ups, with quality assurance and good manufacturing practice not accounting for more than 5 per cent of the total cost of the drug The World Bank's recommendation in this respect to remove all price controls is inexplicable

'Remove control over advertising' This is an irrelevant recommendation

impose any control over amount spent on advertising and recommendations. There is in fact a strong case for control because lack of restrictions has led to a deluge of material gifts, 'bribes', etc. However advertising material are subject to vetoing by the Drug Administration.

Restrictions on foreign firms: To quote Abid Hasan, "We [World Bank] continue to believe that disallowing foreign firms to manufacture products made by local firms not only restricts competition but also hurts the government's policy of encouraging foreign investment. This control should be removed. Foreign firms should operate under the same controls/regulations as the local firms." In reality, the only restriction in Bangladesh on foreign drug firms is the prohibition on manufacture of two of the 300 plus listed products. These two are antacids and oral vitamins. Restrictions have ensured that foreign firms go in for antibiotics and hormonal products, has introduced competition among foreign firms for these products, and kept prices low thereby.

Block list system for import of raw materials: The block list system prevents excessive imports—and this is important for a country which is dependent on imports for most of its drugs. Also, free importing will only further encourage smuggling into India where the drugs fetch higher than international prices. Further, the block list has discouraged transfer pricing and has kept in check prices of final drugs in Bangladesh.

Conclusion

Our tale ends here. In both the episodes described above, there is a marked indifference coming out of functional illiteracy of bankers: the inability to ask, what is the ultimate aim of the drug industry? Is it to improve the bank balance of industry-wallahs at all costs and therefore of bankers, or is it efficiently-targeted utilisation of a poor country's resources in its battle against illness? Indeed how can systemic efficiency come about from 'perfect' competition when the competitors act irrationally (and therefore imperfectly) by producing irrational and unscientific drugs, and thereby squandering even more of the country's resources? This is an industry which needs to operate under certain strong boundary conditions. Experience has shown that this industry is not prone to self-regulation anywhere in the world—either in its choice of drugs to be marketed or in its price range. We need to think hard before introducing mindless liberalisation in the pharmaceutical industry.

Lastly, bankers need to develop—this especially in reference to the State Bank of India—a taste for ethical company and ethical business. Otherwise we are in for one long perpetual scam.

Urbanisation and Alternate Policy Perspectives

Amitabh Kundu

An analysis of urban growth patterns across states seriously questions the proposition being assiduously promoted by international aid agencies and the government of India that the urban structure in India is 'balanced' and 'stable over time' and urban growth reflects a process of healthy economic development.

PROTAGONISTS of a non-interventionist philosophy in the urban sector have often argued that the distribution of urban population across size categories and their pattern of growth do not exhibit any major distortion. Recent studies conducted under the auspices of the World Bank, USAID and other international financing agencies have tried to demonstrate that the urban structure in India is 'balanced' and 'stable over time' and urban growth reflects a process of healthy economic development. Supporting this viewpoint, the Task Force on Urban Development (Planning Commission) had observed that increasing proportion of urban population in class I cities does not reflect a distortion in urban hierarchy. On the other hand, it is only a natural consequence of population growth (in towns of all size classes), resulting in a large number of urban centres being identified as class I cities, since the lower limit for these cities is fixed at one hundred thousand. It had argued further that population growth in towns of all size classes are about the same, reflecting a stable urban structure. The programme and policy documents issued by the ministry of urban development and Planning Commission, particularly in the context of preparation of urban development plans at the state level, have implicitly accepted this proposition and recommended decontrol of urban economy and participation of private sector in urban development projects.

An analysis of the pattern and pace of urbanisation, however, raises serious doubts about the proposition. A negative relationship (though not always statistically significant) between the level of urbanisation or economic development with the growth rates of urban population has been observed at the state level.

During the period 1941-51, the four top ranking states in terms of urban growth were Assam, Orissa, Bihar and Madhya Pradesh, excluding the smaller states. These were among the poorest and the least urbanised states of the country. The relatively developed states like West Bengal, Maharashtra, Tamil Nadu and Punjab, on the other hand, experienced medium urban growth ranging from 20 to 35 per cent.

The pattern remained almost the same during the sixties. The above four backward states along with Rajasthan registered exceptionally high rates of urbanisation. The rate in the developed states was relatively low. Besides, the smaller states in the north-eastern region, viz, Manipur and Nagaland and the state of Goa recorded very high growth in urban population during the 1960s that can be attributed to their low urban base and significant immigration due to massive government expenditure on general administration and public services.

The regional scenario did not change much during the 1970s. Unfortunately, Assam was not covered in the 1981 Census but the other four less developed states viz, Orissa, Bihar, Madhya Pradesh and Rajasthan exhibited high urban growth (over 50 per cent), along with the smaller states of Manipur, Meghalaya, Nagaland and Goa. Uttar Pradesh, yet another backward and less urbanised state, made a departure from the past trend (its urban as well as total population growth rates being less than that of the country in every decade in the present century until the 70s) and recorded the second highest urban growth among the states.

The high rate of urbanisation (above 50 per cent) in the states of Haryana and Karnataka during 1971-81 can, however, be attributed to their rapid industrialisation which is reflected in substantial growth of employment in non-agricultural activities. Four other developed states, viz, Gujarat, Maharashtra, West Bengal, and Punjab have registered medium urban growth during 1961-81. It may be noted that Haryana, Karnataka, Gujarat and Maharashtra are the four developed states where the percentage of workers to total population, viz, work-force participation rate (WPR) for men has increased. One would, therefore, hypothesise that in the developed states, the growth of employment is large enough to compensate for the decline in work-force owing to the withdrawal of children and the aged, as a result of economic development. The less developed states experiencing high urban growth are, however, not fortunate enough to have an increase in WPR. Here, urbanisation is possibly due to push factors operating in rural areas. This argument is strengthened by the fact that in

declined both during the 60s and 70s, much more than what can be attributed to definitional factors.

The growth pattern in the 80s is not very different from that discussed above. The less developed states of Madhya Pradesh, Rajasthan, Uttar Pradesh and Andhra Pradesh exhibit urban growth significantly above the national average. The exceptions are Orissa and Bihar whose growth rates are low. The developed states, on the other hand, have registered medium or low urban growth. The only developed state registering a high urban growth is Haryana. Kerala's high urban growth can be attributed to the classification of a number of large rural settlements as new towns. The developed states of Maharashtra, Gujarat, Karnataka, West Bengal and Tamil Nadu, once again, have recorded medium or low urban growth. The analysis of growth pattern across the states, thus, seriously questions the proposition of a happy marriage between urbanisation and economic development in the country since the rapid urban growth in many of the less developed states can be attributed to the push factors operating in the rural economy.

The overall growth rate of urban population per annum has declined significantly from 3.9 per cent during the 70s to 3.1 per cent during the 80s. The decline may be seen in all size class of urban centres. However, despite this general deceleration, the class I cities (with population of one hundred thousand or more) have registered growth rates significantly above that of the smaller order towns, in most of the states during the 70s and 80s. The medium and small towns have grown at a fairly rapid pace in the backward states but their growth in the developed states has been low. Interestingly, this pattern had existed in the 60s as well.

In the backward states of Madhya Pradesh, Uttar Pradesh, Rajasthan, Himachal Pradesh and Kerala, the medium-sized towns (with population between 1,00,000 and 50,000) have grown at a rate similar to or higher than that of class I cities during 1971-91. The exceptions among the major states are Bihar and Orissa. In the developed states like Cujarat, Karnataka, Maharashtra, Punjab and Tamil Nadu, on the other hand, the growth rate of medium towns is much less than that of class I cities. The exceptions, here, are West Bengal and Punjab.

The growth rates of small towns (with population below 50,000) show a similar pattern. The problem here is with the class VI towns that record a high growth in some of the developed states. In Maharashtra, West Bengal, Goa and Meghalaya for example, these towns experienced rapid demographic expansion during the 80s, due to the fast growth of one town in each. When these towns are excluded, the growth rates of small towns in all the developed states come much below that in the backward states.

Increase in urban population can be broken into two components—incremental population in the existing towns and population in the new towns. The 1951 Census reported as many as 600 new urban centres. This has been attributed to non-adoption of a rigorous definition of 'urban place' in that census. Most of these towns got declassified in 1961 with the standardisation of the definition and, as a result, the number of towns came down sharply. The 1971 Census showed only 200 additional towns. In 1981, the number increased by about 750 and more than half of these were located in Uttar Pradesh. A large number of these would have been treated as urban in the Censuses of 1961 and 1971, had the state of Uttar Pradesh followed the instruction of the Registrar General of India to include the town area committees automatically as statutory towns.

In the 1991 Census, there are 856 new towns, 93 cases of declassification and 103 of merging with other towns. Counting all the towns separately, including those that are parts of agglomerations, the number of towns increased by 760 during 1981-91.

Over 54 per cent of the new towns recorded in 1991 Census are accounted for by the states of Madhya Pradesh (143), West Bengal (111), Kerala (92), Uttar Pradesh (62), Maharashtra (62) and Bihar (57). On the other hand, Punjab and Karnataka lost some towns due to declassification and Maharashtra, West Bengal and Gujarat lost because of merging of towns with their urban agglomerations. The developed states of West Bengal and Maharashtra, thus, reported both emergence of new towns as also disappearance of old towns. Punjab is the only major state where the number of towns declined in 1991. The backward states, in general, reported substantial number of additional towns in 1991.

It may be seen that in the developed states, most of the new towns are in close proximity of metropolitan cities, possibly having strong linkage with the latter. Majority of these towns in West Bengal are concentrated around Calcutta, so much so that over 70 per cent of these are located within the hinterland districts, viz, 24 parganas, Haora, Hugli and Bardhaman. The emergence of new towns around the other metropolitan cities of Bombay, Delhi, Madras, Bangalore, Ahmedabad, Hyderabad, Pune, Nagpur, Vishakhapatnam, etc, is also noted as significant. These towns happen to be located both in developed and less developed regions. The districts corresponding to these cities that have a large number of new towns are Thane (7), Gaziabad (8), Chengai Anna (13), Bangalore (18), Ahmedabad-Gandhinagar (8), Rangareddi (4), Pune (4), Nagpur (9), and Vishakhapatnam (13). There is, thus, a clear indication of the process of urban industrial dispersal around the metropolitan cities. The emergence of new towns/rapid growth of small towns within the metropolitan region and slow population growth in the metropolis itself. The merging of a number of small towns with the large cities in the states of Maharashtra, West Bengal and Gujarat can also be taken as an indication of the dynamic forces operating in the peripheries of large cities. However, once the new towns around the metropolitan cities are excluded, the incidence of these towns is noted in the backward states only.

The new towns in the backward states of Madhya Pradesh, Kerala and Uttar Pradesh seem to be fairly well distributed across districts. Only, the tribal belt of Durg-Raipur-Bilaspur-Shahdol in Madhya Pradesh claims as many as 32 towns and the hilly districts of Nainital and Dehradun claim 14 towns. In Bihar too, the new towns have come up in almost all the districts, although Dhanbad and Hazaribagh claim a large share. A few taluka headquarters and other administrative centres have acquired urban characteristics which might be strengthening the rural-urban linkages in the region and broadening the base of urbanisation in the country. This, would then, to a limited extent, counter the dominant trend which is towards concentration of towns around the metropolitan cities, particularly in the developed states. The emergence of a large number of new towns and faster growth of small and medium towns in the backward states due to push factor migration from the countryside and less hospitable environment in the large metropolitan and class I cities are also important components of urbanisation in the country.

It may thus be seen that India has experienced a significant deceleration of urban growth in all the size categories and most of the states during the 80s, the problem of under-enumeration notwithstanding. The class I cities have generally grown faster than the towns in other size categories during the past three decades. Similarly, the less developed states have shown rapid urban growth compared to the developed states. These would seriously discount the proposition that the urban hierarchy or the urban growth pattern in the country is free from distortion. The class I cities in the developed states have exhibited faster population growth which can be attributed to their strong industrial and economic base and growth therein. The rapid growth of small and medium towns in backward states, on the other hand, can be explained in terms of absence of sectoral diversification and rural poverty. A similar explanation can be given for the emergence of a large number of new towns in these states. The incidence of new towns in the neighbourhood of metropolitan cities must, however, be attributed to the process of limited industrial dispersal around the large cities whose effects do not go beyond a few kilometres.

Design and Operation of Political Processes in Rural Co-operatives

Vikash N Pandey

Debiprasad Mishra

Studies of co-operatives have generally emphasised evaluation, neglecting the process of interest articulation, through institutional forms and within the institutions. A report on a workshop.

THE Institute of Rural Management, Anand (IRMA) organised a symposium on Management of Rural Co-operatives during December 7-11, 1992. The symposium consisted of 16 workshops based on particular themes. Out of these, one workshop was on 'Design and Operation of Political Processes in Rural Co-operatives'. The workshop (like other workshops in this symposium) was a culmination of a year-long networked research on the theme by scholars from IRMA and other academic institutions. A theme paper was prepared by the workshop directors to set the agenda of discussion and thereafter 12 papers were presented and discussed over three days.

Under the generic label of 'co-operative' exists a large variety (in organisation theoretic terms) of organisations. Principles of co-operative as enunciated by the International Co-operative Alliance and incorporated in the Co-operative Societies Acts set the institutional environment for co operatives. This commonality has triggered mimetic processes in terms of extending a 'legitimated skeleton' (organisational chart) for all co-operative organisations. Thus co-operatives are generally referred to as organisations where persons are voluntarily associated together on a basis of equality for the promotion of their common economic interests. Based on this broad social agenda, co-operatives in the Indian context have to be seen in relation to the 'mixed economy' and 'welfare state' which are distinct from collective/communal ownership, farming and distribution. The co-operatives in India, both conceptually and operationally, are based on the idea of private property and protection offered under the agenda of enabling the less advantageous groups to exercise their 'individual freedom' *vis-a-vis* monetarily as well as politically powerful moneylenders/traders/industrial lobby. The functions of co-operatives were to provide farmers (after they had acquired asset ownership under various land reforms and other developmental packages) the collective bargaining power, support network and protection from inter-locked markets and enable them to participate successfully in market. In this process, the organisation of co-operative has a positive relation with the welfare state, an important space in the mixed economy and certain ideological as well as political connotations in terms of agrarian transformation thereby suggesting the emergent nature of the co-operative organisations.

And it is precisely this process of interest articulation, through institutional forms and within the institutions, which has been thoroughly neglected in the research on co-operatives. Hitherto, the major emphasis in studies on co-operatives has been on evaluation of the co-operatives. There are a few sociological studies which have looked into the social dynamics as context of the co-operatives. Consequently the following issues have not been well documented and even less analysed: (1) functioning of the co-operatives as organisations and the political processes within them; (2) the distribution of power in rural society and its connections with not only the character of the rural co-operatives as organisations but also their internal decision-making process; and (3) its inter linkages with the historical and rural context in which the co-operatives emerge and function.

The workshop was primarily aimed to deliberate on these issues so that a collective beginning could be made to appreciate the emergent nature of the co-operative organisations. The papers covered specifically three dimensions:

(1) the design of political process in co-operatives;
(2) the political process in and around the co-operative organisation; and
(3) the relationship between political process and development and co-operative design and organisation, i e, political discourse in co-operative.

The studies envisaged a mix of historical and analytical methods. Mostly these papers relied on a combination of case studies and questionnaire survey methods. By their coverage, the studies attempted to discuss and explain the political process across federated and non-federated co-operatives across commodities and the states.

Design and operation of political processes is a theme on which there has not been much research and there is very little data base, though people have been talking about many things related to politics affecting organisations. So we started with a hope that the research papers will first collectively endeavour to start with appreciating the dimensions of the issue involved in understanding political processes. Consequently, a majority of the papers were fairly rich in their data. What we will try here is a presentation of the salient arguments and findings of the papers and then move towards some kind of exploratory exercise in making the synthesis.

Continuity and Change

The first paper was by Vikash N Pandey which was presented along with the theme paper. Pandey observed that most of the literature on agricultural transformation in India attempted to understand the trajectory of land reforms, co-operatives and green revolution in a compartmentalised manner. Making a departure from this ahistorical mode of enquiry, Pandey argued that agricultural transformation, the nature of land reform and the emergence and working of primary agricultural co-operative societies (PACS) were closely linked with each other and informed, in many ways, the content and context of one another. Agrarian transformation and PACS were characterised by this discourse where the interests were articulated in the organisational forms and the organisation of co operatives in turn provided/facilitated the articulation of a particular stream of interests.

The second paper was by S K Bhowmik on Co operatives Tea Factories in Nilgiris in Tamil Nadu. He looked into interference and dominance in the affairs of co-operatives by the government bureaucracy. This study was based on two data points, i e, data collected during 1986-87 and then in 1992. The general findings of this study are that the democratic process in these co-operatives has been restrained since its inception. With the help of suitable legislation the government ensured that for the first 18 years there were no elections at all. Even after the elections were held, the bureaucracy remained as powerful as before in decision-making. Elected boards of directors were basically in advisory capacities rather than in decision-making. In 1990, government through an amendment of the Tamil Nadu Co-operative Societies Act (1983) dissolved all elected bodies of co-operatives and appointed special officers.

The second finding of the study based on the survey conducted by the author and his assistants is that the small growers joined

the co-operative (basically the co-operative has a large number of small growers) not primarily for the reason of getting subsidies but with the aim that the existence of these co-operatives would strengthen their bargaining power *vis a vis* the private tea factories The members thought that the co-operatives had not been able to do that The survey concluded that the members felt so basically because bureaucratic control had hampered the 'natural growth' of the co-operative So the democratic process should be restored and more power given to the elected body

One point which was not mentioned in the paper but subsequently came up through discussion was that, in the beginning when the co-operative was started the government's role was basically in supporting the co-operative in the infant stage so that it could take off After a certain time the bureaucracy would withdraw and the co-operative would be on its own But once the bureaucracy got the political domain for itself, transferring that to the elected body became a restriction on its power base Bureaucracy as an interest group refused to reduce its political domain

The next paper was on co operatives in the Burdwan district of West Bengal by H Bhattacharya and S Mukhopadhyaya This study looked into the post 1977 scenario of West Bengal, the time since the rise of the CPM led government Based on their study of co-operatives in one district, i e, Burdwan the paper argues that the CPM led programmes of panchayats, land reforms, etc, have brought changes in the character composition and working of the co operatives and present day 'success' of the co operative movement in Burdwan is related to the political drama played under the leadership of CPM which came to and has stayed in power with the agenda of panchayats, land reforms etc

The paper by N Rajaram focused on district level union of cotton co operatives of Baroda district The study looked into (1) co operatives' interaction *vis a vis* the state, and (2) the politics within the co operatives Its major findings were that political differences usually did not result in closure of co operatives and a related point that the Patidar community dominated cotton co operatives and politics at the district and state level co operatives was the politics of rich Patidars Even though each co operative was a distinct organisation in itself in the political process they were interwoven Hence the state government, at the time of election most vigorously exercised influence at the level of the state federation Another issue was the political tussle around and within the co operative This tussle is basically an interplay between two kinds of major players in co-operative politics, i e, one group of business-farmers and another of farmer-politicians Nevertheless, both these groups predominantly belong to one particular community, Patidars

B L Srivastava's paper highlighted the election procedures contained in the Co operative Societies Acts and actual elections in the co operatives Srivastava concluded that there are basically three tools through which the state government intervenes in the election process (1) amending the act (2) suspending elections through the registrar of co operatives as in the case of Mehsana (Gujarat) co operatives or (3) suspending elections by ordinance as in the case of Tamil Nadu This paper was supplemented by an observation by Manoranjan Mohanty of Delhi University that the state government itself acting against the democratic process is somewhat familiar to the formulation of Rajni Kothari 'state against democracy' This paper provided strong empirical base for that formulation But then there is a problem in the particular construction of state Implicit in the above formulation is the 'statist' view which treats the apparati of the state as coterminus with 'state' itself Mohanty argued that one has to take one step ahead from that because leaders or for that matter the bureaucracy are not the state State is something larger and therefore many actors are there We must make some enquiry to find out what is the social basis of authoritarianism What is it that makes it possible for state governments or Jayalalithas to suspend elections year after year even for a decade? The second point that Mohanty made was that the sources of tensions are no doubt located in micro situations like the local caste and class nexus But at the same time the national political economy also has its implications for the micro level political process These two are interacting together and therefore an attempt has to be made to capture this inter play

Village Dynamics

A paper by Sankar Datta on oilseeds growers co operative societies of Madhya Pradesh presented the relationship between the village dynamics and co operatives functioning The general finding of Datta is that the existing relations and institutionalised expectations of rights norms and obligations really give the flesh and blood to the organisation and affect decision making The democratic norms are read through these sets of factors in the villages and therefore people with a power base continue to remain more visible in the co-operatives He also argued that there are two dimensions of the existing power base in rural India One is social and the other is economic The degree of participation of the people in the economic activities of the community and power of the elite operated through the social sanction they enjoyed The strategies also differ accordingly The kind of stronghold they have and the source of power also decide the strategies through which they are ensuring that their power base continues Secondly, there is an alternative group emerging along with social, economic and other changes It has serious implications for the organisations which are built on the premise of democratic principles If the process of democracy proposes autonomous space for the individual then individual members have an independent opinion which they express in the form of their vote But if the individual member of the society is not that autonomous then the question that is being asked is in such settings is a form of organisation based on democratic principles the appropriate one? Datta argued that alternatively we can ask the question if the individual is not an atom then could the democratic process in each context have its meaning devoid of the specific institutional process? Therefore how decision making acquires a specific character can be understood only with reference to the context in which the organisation is located

Kalpesh Patel and Phansalkar presented a comparative study which looked into the question how interrelations between the state and commodity co operatives vary from one commodity to another This study was based on the co operatives of sugarcane chicory and horticulture produce in Gujarat The basic premise of the paper was that intensity and nature of the relationship between the commodity co operative and the state would be contingent upon the point of dependence on the state and the criticality of these points of dependence for business performance of the co operative The study has found that among four above mentioned commodity co operatives, the interactions were most vigorous in the case of sugarcane co operative and the least in that of the chicory one The paper also provided another piece of information (which was not linked with the first finding) that this interaction is negotiated through caste and party politics

The case of a sericulture co operative was studied by Somasekhar Reddy As an introduction, this paper highlighted the contrasting experiences between Tamil Nadu and Karnataka insofar as the conduct of elections was concerned Whereas elections are suspended again and again in the former, they are held regularly in Karnataka And these elections are, by and large, hotly contested In the particular co-operative under study the contest was primarily between two families of the same caste group

but belonging to/supported by two different political parties. Reddy argued that in a semi-feudal social formation high level of political activities in terms of regular and intensely fought elections do not ensure that the decision-making process in the co-operative would be member-controlled. On the contrary, a dominant social group which has the ability to manipulate the democratic process ensures the control of two families. These two families are recognised by their respective party high commands to be the natural leaders of the area. These two families ensure the flow of subsidies and benefits to their respective clienteles and the clienteles in turn provide the financial and political base to these families.

The next paper by Akhileshwar Pathak and Vikash N Pandey tried to understand the working of one dairy co-operative in a dryland agricultural area with a tribal set-up. The co-operative society has a large membership, collects moderate amounts of milk and yet sustains itself. The stability of the society, it was argued, can be located in the dynamics of relationships in the specified group of members, the office-bearers and the prevailing socio-economic context, especially the agro-climatic features and the agriculture system, market and the union of which this particular society is a part. The paper argued that the nature of relations in the village is such that the transaction in surplus milk is not central for most of the villagers. However, it sustains few individuals of different social groups and a small number of large suppliers. Other members do benefit by the existence of the co-operative, despite dairying being a subsidiary activity. All these reproduced the equilibrium which ensured the continuity of the co-operative society.

Then we had a paper by Debiprasad Mishra on dairy co-operatives in Mehsana district of Gujarat. The Co-operative Societies Act and the design of Anand pattern co-operative constitute the primary element of the institutional environment of the dairy co-operative. The village society, a network of habitual social relations, provides the context. As an emergent phenomenon the structural element bear the mark of both, yet shaping them in a subtle manner. The replacement of members of the managing committee seems to be occurring at regular intervals as per the bye-laws. However, such replacements are taking place without the elections being actually contested. The number of candidates showing interest had normally been greater than the number of vacancies to be filled. In the past seven years there had not been even one instance of a normal electoral procedure being fully gone through. The trend towards avoiding contestes and elections is unmistakable as other organisations located in the village seem to be taking a cue from the dairy co-operative. Mishra has reconstructed a credible explanation for this.

Caste Factor

Then we had a paper on the Barabanki union in central UP by the workshop directors. This study, in addition, was attempted as a precursor to the synthesis which was to emerge in the last session of the workshop. Barabanki as part of Awadh region had witnessed the taluqdari settlement and had all the characteristics of taluqdari settlement; consequently agrarian relations continued to be primarily pre-capitalist. When land reforms came, it did not wipe out the negative relationship between ownership and cultivation of land, but in the last four decades a few important changes have occurred which have profound implications for agrarian structure of the area.

A numerically large number of backward castes have been gaining political visibility. Through the land reforms and green revolution packages these agriculturist castes have gained economically. Secondly, through economic upward mobility coupled with mobilisation, a politically important group has been emerging from village to state level from these castes. These changes have led to fractures in upper caste dominance at every level and intense 'politicking' is going on, denoting a qualitative change in the political discourse.

Barabanki is an important setting of this discourse. It is district which has backward castes numerically in majority. Upper castes are numerically few and their dominance is scattered in the villages. This is the area where agriculture is slightly better than in the adjoining areas. In the district a larger number of milk producers are from backward castes. These milk producers are basically cultivators who, given their individual capacity, have adopted green revolution technology partially. They are the people who milch their cows themselves and cultivate their land themselves (hiring labour at peak season). For them, milk has been traditionally a saleable commodity but they do not live by milk alone. Primarily they are agriculturists and doing agriculture helps them in rearing milch animals of 'desi' variety. They are small producers of milk and sell it. They are the largest producer-members in the primary dairy co-operative societies.

In contrast, the upper castes have roots in their intermediary priestly or other non-cultivating ancestry. Living on rental income or through surplus appropriation, these groups have hung on to their social status. It will be, however, denying the transition if we call them feudal overlords. However, they cherish memories of their status of intermediaries. Most of them, given the opportunity, have diversified into service sector through modern education. Some of them have shifted to urban centres/towns. These are the groups one finds most visible in the union office or the federation. In the village wherever these castes' position had been stronger owing to historical reasons, they dominate the posts in dairy co-operative societies but not the membership. The mobilisation on caste-class lines has been leaving imprints which for most outsiders is 'criminalisation of the society' or its 'cultural trait'.

This socio-economic sketch gives a clue to the development of certain configurations. Participation in the organisation is in turn guided by this social-economic context. Under the 'mandal forum' there is intensive political mobilisation taking place. The higher castes have lost some ground in terms of rent-seeking status in the villages. What is interesting in the village level societies is that the members (wherever the high castes are not dominating) and the office-bearers are mostly from the backward castes, whereas in the union and federations one would find high castes more visible. In some villages high caste people have retained their rent-seeking status and some of the village-level co-operative societies are also controlled by these people. Consequently, there is an intense political and social battle going on between these groups. This is the turbulent state of a society where contradictions are getting sharply articulated. In the district two political parties, Janata Dal and BJP, have very distinct clienteles. In the last three elections to the Barabanki union, the chairman of the union belonged to the backward castes. When the last time elections were announced, around 60 per cent of the nominations were from the backward castes, Muslims and scheduled castes combined. When such a large proportion of nominations is from one combination, the other castes (combining the higher castes of brahmins, kshatriyas and others) being in minority, it was certain that co-operative societies at village level would be controlled in large numbers by the backward castes. The union would also be mostly manned by backward caste people and consequently the chairman could also be from the backward castes. The BJP government at that time suspended the election.

Towards a Synthesis

Participants in the workshop shared the opinion that the theme being deliberated upon was of vast variety and rich complexity. Given this, any attempt at synthesis would only be partial and therefore must be stated with explicit admission of its tentativeness. Thus what follows in the next few

paragraphs is to be viewed keeping the above in mind.

That with a change of political party in power in any state comes certain thrusts directed at the co-operative organisations is common knowledge. But that there are differences in the *modus operandi* of different political parties in effecting this is not so commonly known. If we were to classify political parties as those with cadres or identifiable membership bases in rural areas and those without (because of the loosely-coupled nature of membership as in case of Congress or Janata Dal; or because of the nature of its politics, as in case of BJP), we find a subtle difference in their modes of operation in dealing with the governing structures of co-operatives. For example, in West Bengal, after its return to power in the late 70s, the Leftist combine started mobilisation for co operative membership. Amendments were made in the Co-operative Act to facilitate the process of enrolment of new members. With increased membership, when the elections for the governance of co-operatives were held, the parties in the left combine (CPM in particular) emerged victorious. Perhaps ironically, in spite of this, the social background of co-operative leaders has not really changed. By contrast, in Uttar Pradesh when the bid of Bharatiya Janata Party for the control of dairy co-operatives was faced with the prospect of failure, the office of the registrar was used to stall elections.

Every political party seems to evince increasing interest in the membership and electoral affairs of co-operatives. The intensity of this interest perhaps varies with the extent of resources handled by a co-operative or the centrality of the co-operative to the economic base of the area. This begs an explanation. One that could be safely advanced is that apart from the panchayat institutions, the other organisation in rural areas which receives governmental patronage and yet has a supposedly democratic character is the co-operative. Thus involvement in its electoral affairs is perceived not only as a normal political activity but also as a potential instrument to extend patronage to some and the crumbs of development' to others. This later, in turn, reinforces the legitimacy of the involvement.

In different states the nature of support base of various political parties differs. In some it is identifiable with specific social groups, while in others no such identification could be established. UP is perhaps an example of the former. Here the support base of different political parties is closely related to the dynamics of the agrarian structure and changes taking place in rural society. Thus the electoral battles for control of co-operatives are getting fought on these sharpened socio-economic configurations. Gujarat, it seems, provides a contrasting picture Here, while the initial campaigns and electioneering (for electing members of management committees or boards of directors) are done along party lines, subsequent efforts depend largely upon the former's outcome. For example, if the success of a candidate belonging to a particular (politically) dominant community is assured no matter which party wins the chairmanship, then the motions are gone through along the party lines But if such an eventuality is uncertain, then mobilisation is done along caste lines cutting across political parties. It is quite clear that co-operative elections in Gujarat are as action-packed and as keenly contested as in other states, contrary to the popularly-held opinion

It is not uncommon for members of different political parties actively engaged in co-operative elections to maintain that co-operatives are apolitical in nature. This observation raises more questions than it answers. Perhaps further probing would give us a better understanding of the political discourse related to co-operatives.

Predominantly, the papers presented at the workshop focused on co-operative members and members' interaction with different structures and elements. This focus was enunciated because if a co-operative is to be viewed as a unique organisation, its uniqueness comes from the extent of closeness the members (the owners!) have with the organisation. We found that this was a limited perspective.

Political discourse in co-operatives engages various constituencies. Members and their immediate context is only one of these. The larger forces of continuity and change operating at state, national and international levels also partake in this discourse. There are also political parties and leaders, co-operative ideologues and professional employees of co-operatives, business competitors in private and public sectors. All these actors with their particular interests and ideoiogical predilections are vying with one another; the space created for co-operatives is only the consequence of these tussles. Thus 'co-operative' is the arena in which negotiations between and among various constituencies are taking place. These go on to shape the character of the arena and in turn get shaped in future engagements.

To sum up, the co-operative is a social organisation, based on certain sociological, ideological and political agenda The co-operative organisation consists of members who have many other extra-economic intentions/loyalties along with monetary interests (may be mutually reinforcing). This involves political processes where primarily janus-faced institutions existing even prior to the emergence of co-operatives, group dynamics and other primordial loyalties interact with each other. Many a times these are interwoven with the problem of representation in co-operatives. Given these variations of purely 'economic' and socio-political and economic mix as specific 'goals' of particular co-operatives, these have to be understood in their context of conflict, co-operation and negotiations. In doing so, it is imperative that we look at co-operatives as social formations embedded in a a larger social formation which is being informed by external agents, local contingencies and are informing these in turn.

Two formulations which workshop participants found particularly interesting and promising for such academic endeavour are: (1) the political design as a necessary prerequisite alongside the process for the analysis of rules of formation wherein all three spheres of state, society and co-operatives are imbricated with one another; and (2) the state, society and co-operative discourse where the interests are articulated in the institutional forms and the institutional forms, in turn, provide/facilitate the articulation of interests and thus the co-operative organisation as an emergent phenomenon rather than as a closed and static one.

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Emergence of the Submerged
Indigenous People at UN

C R Bijoy

The declaration of 1992 as the International Year of the Indigenous People by the UN came after a long struggle. But there is now the danger that with the revival of colonial ambitions under the US leadership in the UN, the real issues of the submerged will be exploited by imperialist forces to subvert their genuine attempts at social transformation.

THE Rio Earth Summit in 1992 turned out to be a damp squib after all the euphoria and media hype so skilfully created and executed. The same year the 33-year old Rigoberta Menchu, an indigenous woman, got the Nobel peace prize for her work on human rights in Guatemala and the UN launched the International Year of The Indigenous People in New York on December 10 that year.

October 12, 1992 was celebrated as the fifth centenary of Colombus' 'discovery of the new world'. The grandeur with which mankind was to be reminded of that event in 1492 when Colombus landed in Watling Island, now San Salvador Island in Bahamas, as a watershed in human civilisation—the dawn of this modern era, was scuttled by widespread opposition to it. How could anyone sane enough 'celebrate' such a shameful event—a veritable blot on human history, which laid waste ancient civilisations in just three decades in the Americas and where 90 per cent of its people were brutally wiped out within a generation of European invasion? Outraged at the very proposition, it generated not only widespread indignation but also elaborate plans to remember the day as '500 years of Resistance' to colonisation.

Far away in an obscure hill town of Mananthavady in Wayanad district of Kerala, about 1,500 adivasis representing over 35 adivasi organisations and movements from 11 states converged for the 'Adivasi Sangamam'—the confluence of expressions of self-assertions. Not that the adivasis of this southern part of India chose this very day, October 12, 1992, to primarily oppose the Colombus celebrations. On this very day 190 years ago, the adivasis of Wayanad led by Thalakkal Chandu, a Kurichiya, beat back the British imperialist force destroying Panamaram Fort, 16 km from Mananthavady. It was a search for renewed vigour to strengthen their struggles against their decimation as distinct peoples.

Emergence of Indigenous People

It was during the 1982 session of the UN General Assembly that Spain proposed that the fifth centenary year of the voyage of Colombus to the western hemisphere 1992 be declared an official UN year of what they called 'The Meeting of the Two Worlds'. Predictably Latin America and the western bloc countries enthusiastically supported it while the eastern Europe, the erstwhile Soviet Union and the Asian countries indicated their non-opposition to the proposal. The unexpected walk out by the 50-member African group when the proposal came up for debate and a vote and their subsequent statement of outrage at the proposal to celebrate the onset of modern colonialism in the UN, a body supposedly established for peace and decolonisation, killed the proposal outright. The African reaction was quite reasonable. That 1492 voyage of Colombus was also the first time that enslaved Africans were transported across the Atlantic Ocean. Chattel slavery that existed a millennium and a half earlier in the Roman empire was reintroduced into the European civilisation with this event. The rape of Africa had begun leading to its subsequent colonisation. The institutionalisation of modern colonialism and racial superiority took roots then.

By 1982 the lobbying at UN by indigenous activists and their supporters had ensured that UN take cognisance of the distinct history and problems of human rights violations of indigenous peoples. They had lobbied in vain for declaring 1992 as 'The Year of the World's Indigenous Peoples', coinciding with the fifth centenary Colombus celebrations. Even the Cobo Report of 1986 authorised by Economic and Social Council (ECOSOC) of UN recommended that 1992 be designated as the International Year for the World's Indigenous Peoples. This was seconded by the Sub-Commission on Prevention of Discrimination and Protection of Minorities. However, the Commission on Human Rights and ECOSOC ammended the recommendations that the year be proclaimed 'when appropriate'. In 1988, the UN Working Group on Indigenous Populations (WGIP) and the Sub-Commission on Prevention of Discrimination and Protection of Minorities proposed that the year begin at the end of 1992 coinciding with the end of the Second Decade for Action to Combat Racism and Racial Discrimination. Seeing this as a way out from the stalemate, the UN General Assembly endorsed this at its session in 1988. Eurocentrism once again won the day in UN. The year of indigenous people was to see the emergence of attempts to make the submerged indigenous people visible, at least those in the lands where the descendants of European invaders continue to rule, viz, Americas, Australia, New Zealand and the Pacific Islands.

Culturally distinct groups that have occupied a region longer than other immigrant or colonist groups are generally referred to as 'indigenous peoples'. Even though there is no generally accepted single definition of indigenous people, four principle elements are recognised in the developing of legal definition, viz, pre-existence, non-dominance, cultural difference and self identification as indigenous. The UN bases its reference to the issue of indigenous peoples on a working definition: "Indigenous populations are composed of the existing descendants of the peoples who inhabited the present territory of a country wholly or partially at the time when persons of different culture or ethnic origin arrived there from other parts of the world, overcame them and, by conquest, settlement or other means, reduced them to a non-dominant or colonial situation, who today live more in conformity with their particular social, economic and cultural customs and traditions than with the institutions of the country of which they now form a part, under a state structure which incorporates mainly the national, social and cultural characteristics of other segments of the population which are dominant." This was originally interpreted to mean non-European groups living in areas colonised by European descendants, thus locating most indigenous peoples in the western hemisphere, the Americas, the Pacific Islands, Australia and New Zealand.

There have been discussions on the rights of indigenous peoples in the League of Nations. The Universal Declaration of Human Rights proclaimed by the UN General Assembly in December 1948 entitled every individual, for the first time, to the basic rights, thereby implying that individual human rights are not simply an internal domestic matter of Sovereign States but a common concern for the whole humanity. Deeply rooted in the capitalist western individual milieu, the declaration made no provision for the protection of ethnic groups and communities living in the modern state system. In the early 1950s, the International Labour Organisation (ILO) gave considerable attention to the issue of the rights of indigenous peoples. ILO was the only element of the League of Nations that survived the second world war and later became the first specialised agency of the UN and ILO was given the responsibility for this subject for more than two decades. ILO created the Andean Indian Programme—an inter-agency, multi-sectoral and multi-country programme in which the UN, FAO, UNICEF and WHO participated. It

was planned and executed by ILO. It began with the establishment of action centres in Bolivia, Ecuador, and Peru in 1954, and was subsequently extended to Argentina, Chile, Colombia and Venezuela with the major aim of improving the living and working conditions of the indigenous peoples of Andes. It culminated in the 'Proyecto Mutinacional de Desarrallo Communal Andino (1971-73)' after which the programme was handed over to the individual states concerned.

In 1951, the first session of the Committee of Experts on Indigenous Labour was held and the second (and final) session in 1954. The committee's general approach was the basis of the international instruments later adopted by ILO. They recommended that the agenda of "the social problems of indigenous population of independent countries" be placed in the forthcoming session of the ILO conference. The General Body accepted this recommendation. Meanwhile in 1953, a document *Indigenous People. Living and Working Conditions of Aboriginal Populations in Independent Countries* was brought out—a major effort which was part of the Andean Indian Programme. In the 39th session of ILO in 1956, *The Law and Practice Report, Living and Working Conditions of Indigenous Populations in Independent Countries* was submitted. It gave a detailed review of the activities of international organisations in assisting indigenous people, directly or indirectly, principally through the Andean Indian programme. It also included detailed information on 'tribal and semi-tribal' population groups extending the scope to people with tribal or semi-tribal structure whose social and economic conditions are similar to those of indigenous people. This definition goes beyond the narrow anthropological usage 'indigenous' into coverage of all groups living in similar conditions. After a difficult and complex discussion, the Convention on the Protection of Indigenous and Tribal Populations No 107 and its accompanying recommendation No 104 were adopted with near unanimity in the 1957 session of ILO. This remains the only international instrument adopted by any international organisation for the protection of indigenous and tribal populations till date. This convention came into force on June 2, 1959. India was among the first few countries to ratify this in 1958. Altogether 27 states have ratified this, 14 of them in Latin America and the Caribbean.

Issues and Problems

The issues and problems of indigenous populations related to the fundamental freedoms and human rights. Recognising this, in August 1970, the Sub-Commission on Prevention of Discrimination and Protection of Minorities recommended to ECOSOC through its Commission on Human Rights, that a complete and comprehensive study of the problems of discrimination against indigenous populations be undertaken. The ECOSOC in May 1971 authorised the above sub-commission "to make a complete and comprehensive study of the problems of discrimination against indigenous populations and to suggest the necessary national and international measures for eliminating such discrimination, in co-operation with other organs and bodies of the UN and with competent international organisations". Jose H Martinez Cobo was appointed special rapporteur for "the study of the problems of discrimination against indigenous population". During this very same period, George Manual, an indigenous person from Canada, organised a meeting of indigenous people in 1971. Later he travelled to South America and began the laborious task of creating an international forum. The World Council of Indigenous People (WCIP) came into existence in 1975 at Port Albemy, near Vancouver at the initiation of National Brotherhood of (Red) Indians of Canada.

In September 1981, an international NGO conference on 'Indigenous Peoples and the Land' was held. It considered the issues of land rights of indigenous peoples, international agreements and treaties, land reforms and systems of tenure, indigenous people's philosophy and the land, transnational corporations and their effects on the resources and the land of indigenous people and the impact of nuclear build-up on the land and the life of indigenous people. By the 1980s, the indigenous people created a number of organisations at the national and regional levels.

In April 1981, the third assembly of WCIP in Canberra came out with a draft International Convention on the Rights of Indigenous People and was adopted. In the fourth assembly in September, 1982 at Panama, WCIP adopted a further declaration of principles. Other significant developments in the UN for the recognition and protection of the indigenous population rights were the two world conferences to Combat Racism and Racial Discrimination in August 1978 and in 1983 at Geneva. Both these concerned themselves with certain problems and aspect of discrimination against indigenous populations and have included concrete measures in their programmes of actions. In particular, at the first conference it was clarified that indigenous peoples should not be synonymous with minorities. They should be treated and protected as 'indigenous' or 'native peoples' regardless of the fact that they constitute the majority or minority of the total population in the states in which they live. They have their own rights, particular characteristics, traditions, culture and identity which should be protected by international instruments and national constitutions and other legislative and administrative measures. The first world conference urged states to recognise the following specific rights of indigenous people.

(i) To call themselves by their proper names and to express freely their ethnic and other characteristics;

(ii) To have an official status and to form their own representative organisations;

(iii) To carry on within their own areas of settlement their traditional structure of economy and way of life; this should in no way affect their right to participate on an equal basis in the economic, social and political development of the country;

(iv) To maintain and use their own languages, wherever possible, for administration and education; and

(v) To receive education and information in their own language, with due regard to their needs as expressed by themselves, and to disseminate information regarding their problems and needs.

By 1982, the Martinez Cobo study was almost complete. This and the pressures by indigenous leaders, organisations, NGOs, Human Rights Organisations, etc, resulted in a significant development in the working of UN with the creation of the Working Group on Indigenous Populations (WGIP) by the ECOSOC Resolution No 1982/34 in May 1982. This WGIP was to review developments pertaining to the promotion and protection of human rights and fundamental freedom of indigenous peoples and to give special attention to the evolution of standards concerning rights of indigenous peoples taking account of both the similarities and differences in the situations and aspirations of indigenous peoples throughout the world. WGIP was also to formulate a draft proposal for the UN Universal Declaration of the Rights of Indigenous Peoples. An important procedure of the WGIP is the full scope of the participation of representatives of indigenous peoples and their organisations.

In 1985, the UN Voluntary Fund for Indigenous Populations was constituted to provide financial assistance to representatives of indigenous peoples and their organisations to attend UN meetings. Since 1988 the fund began disbursing grants enabling a number of people from many countries to attend the meetings. In 1986 the Cobo study which took 12 years in the making with 22 lengthy chapters of over 1,400 pages entitled *Study of the Problems of Discrimination against Indigenous Population* was published. The study recommended the recognition of their natural and inalienable right to retain the land and all resources found on the territories possessed by indigenous peoples, provision for compensation for the loss of land in the past, management and development of the customary resources in accordance with their own customs and traditions. The participation of indigenous people in WGIP steadily increased in the 80s. ECOSOC had meanwhile recognised non-governmental organisations like International Work Group for Indigenous Affairs, Survival International, World Council of Indigenous Peoples, Four Directions Council, Grand

Council of the Crees, Inuit Circumpolar Conference, National Indian Youth Council, Indigenous World Association, South American Indian Council, Indian Law Resource Centre, National Aboriginal and Islanders Legal Service and International Indian Treaty Council.

The WGIP in its fourth session in 1986 evolved seven draft principles which read as follows:

(1) The right to full and effective enjoyment of the fundamental rights and freedoms universally recognised in existing international instruments, particularly in the Charter of UN and the International Bill of Human Rights;

(2) The right to be free and equal to all other human beings in dignity and rights, and to be free from discriminations of any kind;

(3) The collective right to exist and to be protected against genocide as well as the individual right to life, physical integrity, liberty and security of person;

(4) The right to manifest, teach, practise and observe their own religious traditions and ceremonies, and to maintain, protect and have access to sites for these purposes;

(5) The right to all forms of education, including the right to have access to education in their own languages and to establish their own educational institutions;

(6) The right to preserve their cultural identity and traditions, and to pursue their own cultural development;

(7) The right to promote intercultural information and education, recognising the dignity and diversity of their cultures.

Subsequently a number of other issues became part of the debate which was to evolve into a draft Universal Declaration on the Rights of the Indigenous People. Some of the important issues are the right to autonomy, self-government and self-determination, right to health, medical care and other social services, right to legal assistance and protection, right to traditional productive activities, right to freedom of assembly and association, right to social security and the right to trade and to maintain economic, technological, cultural and social relationships.

Throughout the 1970s and the early 1980s there was a steady crescendo of criticism of ILO's Convention No 107. Indigenous people and their advocates saw that it was seriously flawed. The ILO Convention's basic approach was integrationist in that it sought that the indigenous people be integrated to the mainstream of society rather than evolve and develop as distinct peoples. The UN Special Rapporteur Martinez Cobo, UNESCO and a number of NGOs suggested changes. The ILO General Body then convened a meeting of experts in September 1986 to advise on the possible revision of the convention. The WCIP and Survival International were invited. Many others attended as observers. It was agreed that Convention No 107 needed to be revised to remove the integrationist approach in it and to reinforce its position in land rights. The revisions were made and was adopted as Resolution No 169 in June 1989.

Another significant development was that the term 'indigenous peoples', which until the 1980s was used in UN and other international circles only to describe peoples in areas where the descendants of colonial powers still form the dominant groups, was broadened to apply to groups throughout Africa rather than just South Africa, and Asia including China and the erstwhile Soviet Union. The exclusion of indigenous peoples from the African and Asian context, which together constituted about 80 per cent of the world's 260 million indigenous people (Africa 14.3 million or 5.5 per cent and Asia 190 million or 74 per cent), was not on any theoretical grounds but on political ones. For one thing, such a position in turn meant that the nations where the descendants of colonists did not form the dominant political groups as in Africa and Asia would support the UN positions to defend the rights of the 'colonised people'. Secondly, this would altogether avoid the issue of 'internal colonisation' (of indigenous people in Africa and Asia) making its entry in the UN through the issue of definition of indigenous peoples. It also reflected the existing reality of the domination of a Eurocentric world-view which determines working concepts.

The WGIP presented its first draft Universal Declaration on the Rights of Indigenous Peoples in 1988 which endorsed the call for the promotion of indigenous societies, cultures and traditions through ethnodevelopment and comprehensive participation, recognised their inalienable rights of ownership and possession of lands which they have traditionally occupied and acknowledged their right to pursue their traditional and other economic activities without adverse discrimination and to decide their own future development. The draft was further revised in 1990 and issues like the right to natural endowments, treaty rights, autonomy, self-government, self-determination, etc, were added.

The terms 'autonomy', 'self-government' and 'self-determination' in the draft declaration has irked many nation states. In response the UN called for a meeting in September 1991 at Nuuk, Greenland, of experts on the issue of indigenous autonomy and self-government which recognised that indigenous people are "historically self-governing with their own languages, cultures, laws and traditions". This meeting held the view that indigenous peoples constitute distinct peoples and societies, with the right to self-determination, including the right to autonomy, self-government and self-identification.

The draft Declaration would be finalised in the 11th session of the WGIP in late July 1993. It will then proceed through the Sub-Commission on Prevention of Discrimination and Protection of Minorities, the Commission on Human Rights and ECOSOC before it finally reaches the UN General Assembly for ratification. This process would take several years. And how much of its present content will remain when the Universal Declaration is through remains to be seen.

India's Stand

The 60 million adivasis constituting 23 per cent of the world's indigenous peoples makes India the country with the largest population of indigenous peoples. This 7 per cent of our population predominating in 20 per cent of our land mass had their rights to their 'world' fragmented to 'rights and privileges' of persons to the forest by the Forest Act of 1927 which further reduced to 'rights and concessions' by the forest policy of independent India in 1952, 40-80 per cent of their land were derecognised by law, 4-5 million are pushed to destitution as their occupation of lands are considered illegal because they were shifting cultivators and so did not continuously cultivate their lands and 85 per cent of these people officially live below the poverty line. Their history has been replete with struggles against the 'colonisers' of their world which even today has shown no let-up.

With the initiative taken primarily by the activists of the Jharkhand movement, the Indian Council of Indigenous and Tribal Peoples (ICITP) was formed in 1987 and affiliated to the World Council of Indigenous People. The ICITP has been a regular invitee in the meetings of WGIP since then. As early as 1984, the official position of the government of India in WGIP has been that there are 'no' indigenous people in India and that "tribals in India do not constitute what is understood here by the term indigenous populations". Their consistent position has been that India is constituted by a complex mosaic of peoples with different cultures, languages and religions and moreover is a 'melting pot' of cultures.

The arguments of the indigenous peoples of India (adivasis) have been that the adivasis of India fall under the definition of indigenous people and this has been conceptually referred thus even among the various reports and publications of the government of India, that the human rights of adivasis enshrined in the Constitution of India have been consistently violated even by the government; that the adivasi area is subject to internal colonisation; adivasis are treated as the subjects of colonisers even by the government of India, that millions of adivasis are displaced, that there is constitutional crisis in the adivasi areas which has even been acknowledged by the official reports of the government of India like for example the 29th Report of the Commission for Scheduled Castes and

Scheduled Tribes where there is even a section titled 'Constitutional Crisis in Tribal Areas'.

The Permanent Mission of India to the UN office has a different story to tell in WGIP. While agreeing to the difference between indigenous people and minorities as noted in the UN debates, they asserted that indigenous people cannot be equated with 'scheduled castes and scheduled tribes' as they are created by the Constitution for the purpose of positive discrimination to secure for them special privileges and to ensure their accelerated progress on account of backwardness due to historical reasons. Most of the tribes in present-day India share their origins with the neighbouring non-tribal population. In order to prove that the allegation that the government of India is violating the human rights of scheduled tribes is false, the mission pointed out to the special attention given to their problems and welfare. SCs and STs are not subject to special privation by the government through development projects as acquisition of land from the citizens through the set legal procedures is a practice adopted irrespective of their status and these are done for the progress of the nation.

To disprove the allegations that India's attitude to adivasis are colonial, the mission averred that members of the STs have been members of parliament, state legislatures and even ministers. They have been running governments in states such as Meghalaya, Arunachal Pradesh, Mizoram, Tripura, Manipur and Nagaland. The Constitution itself prescribes protection and safeguards for ST some of which are:

(a) The curtailment by law in the interest of any ST, of the general rights of all citizens to move freely, reside and settle in any part of India;

(b) Permitting the state to make reservation for the backward classes including STs in public services in case of inadequate representations and requiring the state to consider their claims in the making of appointments to public services;

(c) Reservation of seats in the Lok Sabha and state legislatures;

(d) The setting up of tribal autonomy councils and separate departments in the states and appointment of special officer at the centre to promote their welfare and safeguard their interest;

(e) Special provision for administration and control of scheduled and tribal areas.

These are some of the positive discriminations provided by the Constitution which is not to be understood as 'adverse discrimination'. The mission also pointed out that the government of India does not recognise the right of self-determination of any group of people within India.

Article 342 of the Indian Constitution defines a tribe as "an endogamous group with an ethnic identity, who have retained their traditional cultural identity; they have a distinct language or dialect of their own; they are economically backward and live in seclusion governed by their own social norms and largely having a self-contained economy". This definition falls very well within the scope of the current understanding of the term 'indigenous people', which has moved beyond the earlier definition of people dominated by descendants of colonisers, thus becoming applicable to the Indian context. As far back as 1961, the scheduled areas and scheduled tribes commission had made such an equation. Moreover, India had made an official acknowledgement at the international level by being one of the first signatories of the ILO convention No 107 of 1957 thus ratifying it even though the revision No 169 of 1989 is yet to be ratified by India. Despite the stand of India in WGIP, for the purpose of UN, India's 60 million tribal population has been recorded as indigenous people.

Unlike the so-called New World and Oceania where the subjugation of indigenous peoples is of recent history, the more accepted history of India on the phenomenon of marginalisation of the indigenous peoples is the event of physical invasion by the Aryan people thousands of years ago perpetuated through the times. The people who remained outside the dominant society remained identifiable as indigenous people of the land while the rest got submerged into it in varying degrees being relegated to the lowest rung in the social ladder. The ICITP works with the demand that 'to begin with India's scheduled tribes' should be equated with 'indigenous peoples' mentioned in the UN documents. In the WGIP there has been the emergence lately that 'dalits' (meaning scheduled castes besides the scheduled tribes) are the indigenous people of India. Interestingly, the Permanent Mission of India always took care to reply to the adivasi issue in WGIP clubbing SCs and STs together in its references, anticipating perhaps and hoping for the demand to come up in WGIP that SC's also come within the definition of indigenous people. It is conceivable that in the game of one-upmanship, the government of India now hopes to confound the issue of indigenous people in India in WGIP by using the demand for recognition of SCs as indigenous people to prove the original 'melting pot' theory of theirs. After all there is no dearth of convenient arguments that can be marshalled for this. Political expediency requires the avoidance of the issue altogether.

By refusing to acknowledge that there are indigenous people in India, all that the government seeks to achieve is to ensure that there are no problems for it to discuss in the UN sub-committee. The Constitution of India provides for autonomy through the fifth and sixth schedules by the provision of advisory council and autonomous councils. The 13th amendment also provides for tribal statehood. These had given and continues to give legitimacy to the various adivasi struggles and movements for more political power and autonomy. These constitutionally legitimate provisions of varying degrees were granted in many cases after prolonged repressions, the latest of them being the agreement for autonomous council with the Bodos of Assam. The fear of the government to accept the existence of indigenous people is that the acceptance would eventually mean ratification of the Universal Declaration of the Rights of Indigenous People in the future making it much more obligatory for the government of India to fulfil the demands of autonomy as per the Constitution on the one hand, while on the other more such demands are obviously going to emerge from other areas as the process of internal colonisation of adivasis gain momentum in the wake of the opening up of the nation for the imperialists. This also provides legitimacy and respectability to such demands and struggles around them at the international level. Another real worry seems to be that more and more people are claiming the indigenous status and are using of World Bank and the IMF to pressurise India to accept these. The term 'self-determination' is another point of contention. In the context of strong, not so strong and weak demands of secession springing up in different parts of the country, the obvious allergy is understandable, for the term 'self-determination' is interpreted to mean secession in the political discourse. The statement of the chairman of WGIP that while 'self-determination' has many connotations it excludes the right to secession should put the government at ease.

The unholy alliance between internal colonialism and neo-colonialism has accentuated the contradiction for the indigenous peoples of India. The revival with renewed vigour of colonial ambitions under the leadership of the US through the UN is another reality. The real issues of indigenous people can be exploited and utilised by the imperialist forces to subvert any genuine attempts at social transformation making it imperative for the adivasi movements for self-assertion to be that much more cautious. It is very clear that we have reached a stage in history where the adivasis have no option but to move towards addressing their problems politically outside the dominant political process.

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Problem of Rural Credit in India

H B Shivamaggi

A Review of the Agricultural Credit System in India: Report of the Agricultural Credit Review Committee, Reserve Bank of India, Bombay, 1990; pp xv + 1074, Rs 211.

CREDIT for the rural sector is no longer merely financing of agriculture. It is now rural development credit encompassing financing of all farm and non-farm economic activities in the rural areas. Starting with land development, rural development has now become multi-dimensional. Land development has itself become very diversified covering sinking of wells, installation of pumpsets, lift irrigation schemes, dry land development, command area development, tube wells, repairs to old wells, tank irrigation development, percolation tanks, etc. Agricultural development is now more than land development. It means, apart from land development, crop development, horticulture, social and farm forestry, dairy and animal husbandry, fish farming, agricultural infrastructure such as distribution of fertilisers, production and sale of improved seeds and equipment, repairs and maintenance services for agricultural machinery, etc. A stage has now come when agricultural development itself depends on rural infrastructure development which includes rural electrification, rural transport and communications, marketing, rural storage and rural processing, packaging, agricultural extension services, rural credit extension and adequate delivery system, technical infrastructure at the district level and coordination mechanism among all development agencies, crop, cattle and machinery insurance facilities, credit guarantee scheme, etc.

While the objective of rural credit policy in India is to institutionalise rural credit, it continues to be a problem. The Rural Credit Survey Committee said as far back as 1954 that "agricultural credit is a problem when it cannot be obtained; it is also a problem when it can be had but in such a form that on the whole it does more harm than good".[1] Even in advanced countries, the agricultural sector has not succeeded in commanding the attention and funds it needs from the commercial banks. That is why, in many countries, there are either special credit schemes or special credit institutions for agriculture.

With the lead given by the Reserve Bank of India, up till now, many review committees and study groups have examined the rural credit problem from time to time and recommended a series of remedial measures. But still the problem remains, partly on account of the peculiarities of socio-economic conditions and political environment and partly due to lack of serious effort to implement the various recommendations made as a package.

The report under review is one more such attempt to tackle the problem of rural credit. It is sponsored by the World Bank under NABARD Credit Project-II. The report is the result of in-depth study and field work done by a top-level expert committee appointed by the GOI/Reserve Bank/World Bank under the chairmanship of A M Khusro and composed of three senior Indian experts and three foreign experts as members.[2] The entire exercise is comprehensive in its approach and coverage as is evident from the fact that the Report of the Committee is based on the findings and suggestions of the five fact-finding studies prepared by consultants of repute in the field of institutional finance (see Table).

This review seeks to bring out the views of the senior expert group on the following basic questions relating to rural credit in India:

(1) What are the main problems confronting the institutional rural credit system in India?

(2) What are the root causes of these problems?

(3) Whether and to what extent these problems can be solved?

(4) How far the package of remedial measures recommended by the Committee help to rectify the situation?

Problems of Rural Credit System

The rural credit set-up, broadly speaking, suffers from the following ills: (i) proliferation of rural credit institutions resulting in costly and wasteful system, (ii) inadequacy of staff compared with the volume of lending operations under mass-loaning programmes and lack of staff motivation, resulting in poor quality of loaning, (iii) undue emphasis on credit while neglecting equally important non-credit supporting services essential for successful rural lending, (iv) political and vested interest pressures resulting in poor quality of lending and mounting overdues, and (v) lower lending rates leading to financial weakness and danger of loss to the institutions. While this is the common perception, let us find out how the senior expert group has gone about identifying the major rural credit problems.

To start with, the chapter scheme of the report provides the main indication about the basic problems of the rural credit set-up as identified by the Expert Group. The report is divided into 24 chapters under 10 parts. Besides the review of the working of the four channels of rural credit, viz, (1) commercial banks, (2) RRBs, (3) short-term co-operative credit structure, and (4) long-term co-operative credit structure in different chapters, there are also two separate review chapters on NABARD and on the role of apex level institutions, RBI and government. The other chapters are problem-oriented, the chief among them being—the overdues syndrome (Ch XV), Risk in Agricultural Lending (Ch XVII), Natural Calamities (Ch XVI), Regional Imbalance (Ch XI), Interest Rates, Costs and Margins (Ch XVIII), Staff Training and Manpower Development (Ch XIII) and Autonomy of Credit Institutions (Ch XIX).

The chapter scheme does give an indication that the expert group has laid its fingers correctly on the main issues of rural credit. However, the operational significance of its efforts and recommendations will be evident on the basis of its approach and thrust on the various problems contained in this analysis in different chapters.

The Committee's Approach

According to the expert group, many of the major ills of the rural credit institutions have arisen on account of over-administered banking system. If the credit system is to play an efficient and effective role in future when the direct demand for agricultural credit will rise to Rs 1,10,183 crore by 1999-2000 as against Rs 27,551 crore in 1989-90, it has to move "out of the stage of administrative paternalism, with rigid rules and stipulations, a plethora of interest rates for lending and borrowing and sprawling subsidies and other fixations", and "must come to be operated on much freer commercial and developmental lines" [p 4].

The committee wants the rural banking system to be market-based and at the same

some it should assist vigorously in lifting the backward or less developed sectors like agriculture as also lifting the poor from the poverty zone to above-poverty levels and to do so speedily and effectively" [p 4]. As an operational follow-up of this approach, the credit system will have two borrowing categories to be served—the larger category functioning with market-orientation and the relatively smaller category of well-specified, low-income segments and socially-weaker sections of the community. "The surplus generated in the economy as well as in the credit system from the efficient operation of the larger category should go to meet some of the costs and, if and to the extent necessary, some specific subsidies for the low-income category" [p 5]. While such an approach is already a part of the commercial banking system, the question is how the co-operative credit institutions will be forced to fall in line. With the exception of the mandate of serving the second category, the credit set-up should be free from concessionalities as well as conditionalities.

Though the expert group is in favour of freeing the banks from the shackles of administrative rates of interest subject to the present ceiling of 15.5 per cent for agricultural lending, it has however emphasised the compelling need for a concessionary interest rate for the weaker sections, adding that "so long as the overall credit economy is generating surpluses, concessional rates focused on the poor cannot do institutional harm but may do a great deal of social and economic good" [p 8].

Multi-Agency Credit System and Proliferation of Banks

The multi-agency system for rural credit was introduced with the avowed objective of (i) providing at least one alternative source of institutional credit other than the co-operative credit agency, particularly to ensure that the credit needs of the weaker sections in the rural areas are met and (ii) bringing about healthy competition among the lending institutions which in turn benefits all the rural borrowers.

However, in actual practice, this system has meant overlap in the area of operation of the credit agencies—PACs, LDBs, RRBs and branches of commercial banks. The system could not also make for healthy competition because banks were not left free to compete with one another but made to work in a strait-jacket under the directives and guidelines of the government, RBI and NABARD. Whatever little scope was available for better service for the rural community tended to become unhealthy on account of haphazard lending, duplication and wasteful presence of banks. In some districts like Coimbatore and Kottayam, there is excessive expansion of commercial banks with the result that co-ordination for district credit planning has become difficult. By the presence of many banks in the same area, the system has become cumbersome. While we want cheaper credit for the rural sector, we have made the total credit set-up cost-heavy with the presence of many banks in the same area. Some banks have opened scattered branches more for the purpose of deposit mobilisation than for rendering credit service. The co-operative credit system has also suffered to some extent. Simplification of the rural banking system is an urgent necessity. With the introduction of the service area approach under which each rural branch has been allocated a specific area for its operations, the situation has been salvaged to some extent. But the problem remains.

Since the co-operative credit agencies and RRBs cater to specific types of credit or credit needs of specific groups, they cannot be allocated areas exclusively for their operations as that would mean single-agency credit system and absence of alternative source of credit for those who do not or cannot obtain loans from these agencies. There are certain options in this regard—the proper development of banking infrastructure in the rural areas, improvement in the efficiency and the reduction in the costs of operations of rural lending agencies depend on the measures taken to prevent duplication of efforts and divided responsibility for credit planning in the rural areas. India cannot afford a costly rural banking system. The question is whether in the name of multi-agency system, we want multiplicity of banks in the same area. Let us see, what the expert committee has to suggest in solving this problem.

Luckily, the committee has taken a positive stand on this issue as it says that "it is not right that several banks should have a very small number of branches in many blocks of the country. It was a misunderstanding of the idea of a multi-agency system and in fact a great detraction from the idea of a multi-agency system that one bank should have four branches, another two branches and yet another one branch in a given block" [p 432].

In the opinion of the committee, the rural households will have a choice of credit institution and these institutions will have a competitive rather than a monopoly situation to operate, "if it is provided that the borrowers and depositors of every village have access to a co-operative as well as a commercial bank branch and furthermore that they have access to another branch of the same commercial bank within or just outside the block and, for that matter to another commercial bank at the district centre, or, indeed to any commercial bank branch anywhere" [p 432]. The recommendation is that "every block should be allotted to that commercial bank which already has the largest presence through its many branches" and "that the other banks with smaller presence in a given block should be... asked to gradually move out from that block to other blocks allotted to them".

While the above suggestion is a welcome improvement over the present position, it is not a bold approach as some of the problems created by the multi-agency system will remain to stifle the system. Some implications of this may be noted.

Firstly, if there are 20 blocks in a district, there could be 20 separate banks operating in the district each with larger presence in one or another block. This will create difficulties of co-ordination. Even when block level planning becomes a reality, co-ordination problems will remain as the district continues to be the administrative and planning unit. The second implication is that if a borrower desires, he can borrow from a bank outside the block. Should we create a situation where a rural household in one block borrows from a bank in another block? How can that bank service and supervise such loans?

From the point of effective credit planning for the district, supervision on the utilisation of loans, recovery of loans and building up of banking infrastructure, the best course is to have the presence of only one bank, preferably the lead bank, in the rural areas of the entire district so that there would be left only two sources of institutional credit in the rural sector, namely, primary credit society (after merger of or co-ordination between PACs and

Table

Study No	Title of the Study	Consultants who did the Study
I	Agricultural Credit in General.	Voltas International, Bombay.
II	Role and Effectiveness of Lending Institutions.	Agricultural Finance Consultants, Bombay.
III	Role and Functions of Apex Level in Agricultural Credit.	Price Waterhouse Asia Pacific, Hong Kong.
IV	Lending Costs and Margins.	Administrative Staff College of India, Hyderabad.
V	Organisation and Management of NABARD.	Coopers and Lybrand Associates, London, UK.

PLDs) and a branch of the lead bank (after merger of RRB with the lead bank and transfer of rural branches of other banks to the lead bank) The lead bank of the district should thus become *de facto* rural development commercial bank of the district without being called so Hence, instead of multi agency we will have a twin agency rural credit system for the district, consisting of the district co operative bank with primaries at the grassroots level and lead bank with its branches The committee's recommendation is some sort of a compromise solution aiming at softening the sharp edges of the multi agency system but without ensuring the emergence of a strong and healthy rural banking system in the long run

In the expert group's view, the motivation of staff to work in rural branches will improve "if the commercial bank had 8 or 10 branches and thus had a substantial presence in that area, a collectivity of its branches will be a catalytic factor in the establishment of educational institutions, provision of clinics and health centres at some central points in the block or at the block headquarters' We should also add here the need for banking infrastructure such as standardised rural branch premises with strongroom and staff quarters which most of the rural branches do not possess at present Though these and other related hopes can only be a distant goal, should we not extend this argument to the district as a whole and strengthen the lead bank to achieve for the district what the committee wants the commercial bank to achieve for the block?

Regional Rural Banks –A Costly Mistake

The Working Group (chairman, M Narasimham) was appointed in 1975 as the government felt that there is need to consider the establishment of "new institutions on the basis of attitudinal and operational ethos entirely different from those obtaining in the public sector banks" and as rural subsidiaries and rural arm of these banks [3] The Narasimham group recommended the establishment of RRB, but was not in favour of immediately making the concept of RRB the general pattern for restructuring the rural credit set up It suggested that only five RRBs should be set up in the areas where the existing credit structure has not made much impact, to serve as pilot institutions which could provide guidelines in respect of size of operations, viability, etc, for future development

The central and state governments, however, went ahead and by 1977 had established 48 RRBs covering 85 districts when the RRB committee (chairman, M L Dantwala) was appointed by the RBI to review the position and indicate whether RRBs should become an integral part of the rural credit system This committee recommended that RRBs with certain modifications to enlarge their scope and coverage, should become an integral part of the rural credit system and the RRB pattern should be adopted for the bulk of rural credit business of banks While the government decided to make RRBs an integral part of the rural credit set up the other suggestions to enlarge its scope were not accepted as it was felt that RRBs should remain exclusively as small man's bank Later in 1979, CRAFICARD also reviewed the working of RRBs and recommended certain marginal changes but wanted them to remain predominantly for the service of weaker sections in the rural areas The Kelkar Committee reviewed the working of RRBs in 1986 but suggested only marginal modifications without diluting the RRB concept as a small man's bank A point to be noted in this connection is that while the CRAFICARD and Kelkar committee did not want the concept of RRB to be diluted but to be retained as it is, with certain ameliorative measures to strengthen their position The Dantwala Committee visualised the RRB to become almost a full fledged commercial bank and had recommended that (i) all commercial banks should handover, in a phased manner, such of their rural credit business to the RRB as would fall within its jurisdiction or which it can handle effectively [p 73 of its report], (ii) the RRB should be allowed to finance borrowers other than from the weaker sections up to 40 per cent of its total business so that its deposit mobilisation work and securing the development of entire area do not suffer [p 82], and (iii) since the branches of commercial banks are not operating in most of the command area of RRB, its branches should be allowed to take up all banking business [p 80]

The RRBs thus came to stay and by now, there are 194 RRBs covering 351 districts As many as 151 RRBs were in loss in 1987 In the case of 117 RRBs, the accumulated losses have wiped out their entire share capital and reserves, thus rendering them insolvent While the RRBs suffer from financial weakness and mounting losses, lack of staff motivation, poor quality of lending and overdues, the sponsor banks had passed on the buck of serving the rural poor to the RRBs The question is how can a bank which is weak in all aspects serve the weaker sections promptly and adequately? It is in this context the present committee had to consider future of RRBs in the rural credit system

In the present committee's view the objective of service to the poor could be achieved only by self-sustaining credit institutions "RRBs, structured as they are, in our view, are not the institutions which could fulfil this function" [p 144] The committee's findings have brought out clearly that the basic advantages supplementing rather than supplanting the existing institutions, low cost of operations, local feel through locally recruited staff better absorptive capacity for refinance compared with co operatives which the Narasimham group assumed about the RRBs in 1975 have not been realised A part of the reason for the failure of RRBs is an account of external factors such as socio-political environment

After examining various alternatives to strengthen the RRBs for enabling them to serve the rural poor more effectively, the expert group "found these alternatives to be unsatisfactory half way houses which do not solve the problem of service to the rural poor" and concluded that there is 'no place for RRBs in the country's rural credit system for the future" [p 149]

Having rightly concluded that the RRBs have no future because of 'in built non viability' and other inherent weaknesses and converting RRBs into subsidiaries of their sponsor banks is 'self defeating in purpose', the committee has recommended the merger of RRBs with their respective sponsor banks Based on unrealisable assumptions under Indian conditions, the establishment of RRBs was a costly mistake and the sooner we rectify the mistake, the better it is for the banking system and for the benefit of weaker sections

As a follow up after the merger of RRBs with their sponsor banks, it is necessary to redraw the banking map of each district in order to ensure that bank branches are properly spread in all the parts of district and excess number of branches are closed By June 1990, there were 34,494 rural and 11,255 semi-urban branches of commercial banks including those of RRBs Broadly, this means that for every 12 13 villages and for every 11 12 thousand rural population, there is now a branch of commercial bank What is needed now is that we should not stop with the merger of RRBs in sponsor banks but also go ahead for the merger of other commercial bank rural branches in each district with the lead (sponsor) bank so that not only one single commercial bank for the rural areas in each district is strengthened but also the rural banking system is simplified to the maximum extent, banking infrastructure costs are reduced and banks' ability to ensure better quality of loaning is improved The committee however has suggested strengthening of one commercial bank having the largest number of branches for each block Perhaps the need for more than one alternative source of credit in the rural areas is unduly over-emphasised or the committee is unduly alarmed of the administrative problems involved in the

merger/liquidation/shifting of rural branches of other banks in each district.

Restructuring of Co-operatives

The streamlining of commercial banks is relatively easy as they are bureaucratic institutions whereas the co-operatives are democratic institutions and, as such, pose many hurdles in restructuring that set-up Further, while non-credit co-operatives are left on their own, the credit structure has more or less become another government wing. It should also be noted that while we have shown our competence in running efficiently higher level institutions, we have not been successful in streamlining the grassroots level rural credit set-up both in the co-operative and commercial banking sectors.

As a result of various efforts made following the Rural Credit Survey Committee Report in 1954, there has been improvement in the structure of co-operative system but the overall quality of co-operative character and operational standard deteriorated owing to "the politicalisation, officialisation, mass supersessions, low margins and lack of professionalisation in the managerial infrastructure at all levels as an inevitable consequence of excessive officialisation" [p 184-85].

The number of PACs came down from 1,34,838 in 1975-76 to 92,408 in 1985-86. Thus now, there is one primary society for every six villages. On an average, each society has 780 members of whom only about 211 or 27.3 per cent borrowed in 1985-86. The average loan business per society in 1985-86 varied from Rs 33.2 lakh in Kerala and Rs 8.5 lakh in Haryana to Rs 0.40 lakh in Assam and Rs 0.93 lakh in Bihar. The overdues formed 41 per cent of demand. As many as 43-45 per cent of PACs were in loss in 1984-85. The report under review has concluded that "the PACs are even today not strong or efficient enough to discharge their responsibilities" [p 224].

As regards DCCBs, 173 out of 352 banks are considered as weak banks. Despite the fact that "the percentage of deposits to working capital has shown an increasing trend in most of the states indicative of greater self-reliance than in earlier years", high overdues have adversely affected their ability to avail of adequate refinance from higher financing agencies. As the committee says "this has led to the choking of credit lines and denial of financial assistance to agricultural members of affiliated PACs" [p 224].

There are mainly two issues relating to short-term co-operative credit structure which continue to be debated. One is about the size and viability of PACs and the second with regard to the need for three-tier set-up. Apart from merits and demerits in each case, the view has been taken up till now by the policy-makers that, co-operatives being democratic bodies, what is not acceptable to the co-operators should not be imposed on them. It is heartening to note that the recommendations of the committee under review are quite pragmatic.

Regarding PACs, after noting that the data indicates that a large number of societies are still functioning at a non-viable stage, the expert group holds that the new agricultural technology and non-credit business can place most of the PACs in a comfortable position of viability. However, a large number of societies continue to stagnate at a low level of business even after a decade of their functioning as 'potentially viable' societies. Hence the committee has called for a 'programmed effort' consisting of many oft-repeated measures including enlargement of profitable non-credit business, deposit mobilisation, appointment of full-time paid secretary, augmenting share capital, etc. Apart from these, measures have also been suggested to improve loan procedures and policy including crop loan system, disbursement of kind component, fixing of due date for recovery, normal credit statement, scales of finance and management of PACs including two-tier incentive-oriented salary structure (one basic and second variable related to improvement in performance). The committee has reiterated the need for "Primary Co-operative Development Fund" in DCCBs and SCBs recommended earlier by CRAFICARD.

There is no doubt that, for the realisation of all the improvements recommended by the committee, while the country "recaptures the spirit of co-operation" and there is "an awareness among all the tiers of the system that such a functional relationship is needed for the development of the total organisation", equally important is the awareness on the part of political parties and government that co-operative system cannot prosper under rigid state control.

The Rural Credit Survey Committee (1954) recommended the strengthening of Land Mortgage Banks (now State Land Development Banks) as a separate long-term co-operative credit structure. At present, there are 19 SLDBs with 2,447 PLDBs/branches of SLDBs. While the annual increase in fresh advances recorded a 10 per cent rise between 1975-76 and 1985-86, the eligibility to lend got restricted due to increase in overdues from 37.5 per cent to 45 per cent during that period [p 276].

The four main problems of this co-operative credit wing are: (i) viability of PLDBs/branches of SLDBs, (ii) legal constraints to take up lending for non-land based activities, (iii) mounting overdues, and (iv) lack of functional co-ordination with the short-term credit wing.

The viability problem of PLDBs arises because the average margin available to SLDBs is only about 3.5 per cent and lose about 0.65 per cent to 1 per cent at the PLDB level in their lending.

The overdues problem of LDBs has become more serious over the years, even when their loans result in the creation of productive assets and should normally generate adequate incremental income to repay the loans. Though the committee considers "the phenomenon of high overdues,... more puzzling", the major damaging facts—external political environment which is not conducive to recovery, absence of fear of legal action leading to wilful default and lack of will among the borrowers to repay—are as clear as daylight. Among other causes of high overdues, the report rightly says that

> to an extent, defective practices are at the root of the defaults, such as fixing of wrong repayment schedule without proper correlation with the cash flows of the project, inadequate unit cost, not ensuring the availability of working capital, not granting reschedulement/rehabilitation facilities in the case of infructuous investments like failed wells, ineffective supervision over the end use of loans, etc [p 306].

The issue of integration of short- and long-term structures arose for the purpose of providing 'one contact point' to the farmers for getting all their credit needs and other allied services. The key to this integration is the contact point at the village level by the establishment of multi-purpose farmers service societies. As the position stands today, the PACs have not emerged as efficient multi-purpose societies and we have to agree with the committee when it states that "it cannot... be said that conditions exist in which integration can now be attempted successfully" [p 313]. The question is also whether we should disturb the existing set-up for doubtful gains when integration is also not acceptable to those co-operators who are directly involved. What is more relevant at present, as the committee puts, is to ensure effective co-ordination between the two structures."

While we may be all justified in taking the view as above, it should not however be forgotten that co-operatives are democratic and hence should be free to act in their own best interest and India is a big country with scope for diverse systems. If AP has launched the programme of integration, it becomes the duty of all higher financing agencies and authorities to help in every way for the success of the programme instead of laying down conditions which hinder the

programme. If only the RBI and ARDC (now NABARD) had looked at the earlier proposals from Punjab, Rajasthan and MP from this angle, perhaps, by now, we would have two to three models of integrated co-operative credit set-up.

The expert group has taken the right stand by stating that "where the necessary conditions exist and adequate financial and other support from the concerned state government" are available, integration of the two structures may be undertaken [p 319].

Since there is no likelihood of integration of ST and LT wings, there has to be some mechanism for 'effective co-ordination'. Both CRAFICARD and this committee have not ventured to recommend a common board of directors for both SCB and SLDB or some such really effective statutory mechanism. However, in its recommendation for 'Institutional Strengthening Programme' this committee has advocated co-ordination committees at the state and district levels.

National Co-operative Bank of India

Though, logically, the state co-operative credit apexes have to join into one cohesive system in the form of a national co-operative bank, there are arguments against a national co-operative bank, which need to be noted. CRAFICARD which examined this problem put forth, among others, the following reasons for not favouring such a bank:

(i) If the National Co-operative Development Bank were to borrow from the RBI or NABARD for on lending to SCBs/SLDBs, this would be an additional fourth tier adding to the cost of credit to the farmers.

(ii) As regards acting as a balancing centre and handling surplus funds, only a few apex banks have surpluses and there are "generally the result of certain deficiencies in the system that stand in the way of expansion of credit in the rural sector". The question is also whether these banks would agree to a national bank handling their money or whether they really want scope for lending on their own outside the state.

(iii) NABARD which has already been established is "largely for the co-operatives as most of the lending activities relating to rural sector in general and to the rural poor in particular will continue to be routed through the co-operative institutions" [CRAFICARD Report, pp 270-71].

In the changed context when rural credit needs have become large and diversified, the above arguments may have lost their weight, but let us see what role the committee has envisaged for the NCBI. The committee does not envisage NCBI as a channel for refinance and hence the question of fourth tier and increase in cost of credit do not arise. NABARD is to continue to look after this work. With large surpluses emerging in the co-operative banking system, the committee wants the new bank to work as a balancing centre. According to figures available, surplus funds in the system were of the order of Rs 450 crore of which Rs 200 crore were of long-term nature. Further in a multi-agency credit system, co-operative banks have to compete with other banks in meeting their resource needs. While NABARD will have the task of balancing the competing demands and hence has to adopt a position of neutrality, a national co-operative bank is required to look after interests of co-operative structure. As to the question whether the proposed bank impinges on the role assigned to NABARD, the committee clearly states that "the functions the CRAFICARD envisaged for the NABARD which are spelt out in their recommendations and the role which we envisage for the National Co-operative Bank are mutually exclusive" [p 332].

The expert group envisages the following work for the new bank: (i) act as a national balancing centre for state apexes, (ii) provide overall leadership, (iii) prepare credit programme for the loanable resources of the system at the national level, (iv) issue bonds or debentures and mobilise deposits at all-India level, (v) borrow from abroad such as from the World Bank, (vi) develop policy directives for the system and perform co-ordinative and integrative authority over the system, (vii) engage in profitable and supportive operations such as clearing operations, export finance, etc, (viii) develop training programme, (ix) provide downstream assistance in terms of accounting systems, procedures, etc, (x) develop institutional reinforcement programmes for the members of the system, (xi) function as a national data clearing centre for the co-operative credit system, and (xii) provide national remittance facilities for co-operatives [pp 328-29].

This is a proposal which required a much closer examination of the respective roles of NCBI and NABARD. One member of the expert group was not sure of the success of such a national co-operative bank without investing it with adequate financial strength. Hence he suggested two models; (i) the bifurcation of NABARD's functions and resources to provide for the functions relating to co-operatives and corresponding share of resources going to the new bank or (ii) conversion of NABARD into the national apex co-operative credit bank. Though the committee as a whole has left NABARD untouched while recommending a separate national bank for the co-operative sector and considers that the new bank "will be of great assistance to NABARD in its vital role of institution building in the co-operative sector" [p 333], there is lurking fear regarding (i) the overlap in some respects between NABARD and the new bank, (ii) to what extent the co-operative bodies would like to delink themselves from the commercial banks, and (iii) about the real scope for the success of such a bank, particularly when it is expected to "function on its own momentum distancing itself from government patronage with the concomitant government control and interference as well as props including financial support from it" [p 336].

Problem of Bank Staff

Some time back, B Venkatappiah, the doyen among the experts on rural credit, said that we have rural banks but not rural bankers. This raises the question about the suitability, skills, training and motivation besides the adequacy of staff working in the rural credit agencies. These institutions also require technical and specialised staff. The motivation of each group of rural banking staff depends on where they stand in emoluments and placement *vis-a-vis* other staff in the banks. On this depends the quality of rural banking in all its aspects including schematic lending, supervision and recovery of loans. It is in this context we have to see what steps the expert group has suggested for improving the present unsatisfactory situation. According to the group, a rural banker

> has to have not only the knowledge of banking *per se*, banking laws and practices but also various other skills. For instance, he has to have the right approach, attitudes and a style of management which is conducive to the genius and ethos of rural areas. He should have the knowledge of banking. He should also have the ability to assess the economic potential of the area in terms of the activities which offer scope for developing banks lending business. Effective communication ability is another quality which a rural banker has to possess so that he could deal with the rural clientele and earn their confidence [p 489].

In other words, he cannot be an ordinary, conventional banker. One can imagine how strong the motivation and how intensive the training has to be if he is to be a rural banker. In this connection, the committee has made a significant observation. It has said that:

> One lesson which emerges from experience in agricultural banking is that policies have often marched ahead of organisation and organisation, ahead of personnel... The problems of commercial banks in the development of banking in the rural lending are low motivation as well as gaps

poor in knowledge and skills. Above all, the low level of sympathy for the disadvantaged classes and over-shadowing all these, the bureaucratic approach are other causes [p 490-91]

If one takes into account the lack of well-defined career path for the devoted rural banker, almost total absence of reasonable living facilities for bank staff in the rural branch centres and co-ordination problem with the government departments under mass-lending programmes, the committee has been harsh in judging the performance of bank staff working in the rural branches. However, elsewhere in the report, the committee has mentioned that lack of motivation arises from feeling of discrimination *vis a-vis* staff in city branches and lack of basic amenities in rural branches.

The committee has rightly assessed that while the training infrastructure with an annual capacity of about three lakhs is by and large sufficient in the commercial banking sector, the position is not satisfactory in the case of co-operatives except SLDBs. In all the banks, the training need of individual employee is not identified owing to absence of succession of planning and career-path planning. On the whole, management training, according to the committee, is characterised by a degree of casualness both in co-operative and commercial banking sectors including RRBs. Apart from suggesting a number of improvements in the nature and content of rural banking training programme, there is also a recommendation to conduct a survey to assess the training needs in different sectors [p 503]. The committee has suggested that the Reserve Bank should take over the responsibility for the proposed survey, for the development of comprehensive training strategy and a set of national priorities and standards.

The lack of adequate staff in rural branches of commercial banks is clearly brought out in the report. It states:

> Our consultants have found that many of the rural branches visited by them were inadequately staffed. As many as 1,700 accounts had to be managed by a single field officer in some branches. In view of the large number of accounts to be covered by field officers, supervisory work in many rural branches came to be neglected. The staff gave priority to the routine house-keeping work including submission of accounts. Even the non-business working day was being utilised for clearing the arrears of the routine office work [p 100].

The committee has taken the view that it is no longer necessary to post specialised staff in rural branches and the specialised core staff has to be built up initially at the level of controlling officers and in due course at the block level so as to guide all the branches within the block.

The expert group has rightly emphasised that:

> If commercial banks are to expand in the rural areas, they should have the right staff properly trained and motivated to man the rural branches . It is important that they look forward to a rural posting with a sense of pride, instead of avoiding such postings as at present [p 102].

All that is said above will remain a wishful thinking of the committee because it has not taken a clear-cut view on the Rural Banking Cadre in banks and building up of Rural Banking Infrastructure as a time-bound programme. If one goes by what the committee has said about the staff of RRBs which are to be merged in the sponsor banks, it appears that it has not given sufficient thought to the problem of rural banking staff. About the RRB staff, the committee says that the entire staff of RRBs "who will have to be absorbed by the sponsor banks in suitable scales, may need further orientation in general banking besides rural banking. We therefore suggest that the staff so absorbed be kept in a separate pool in sponsor banks for some time, say three years" [p 155]. If we are not going to have a separate rural banking cadre, the question then arises; are we going to train every member of commercial bank staff in rural banking only to post a large number of them for non-rural banking work in course of time? How are the banks going to build career prospects for those including RRB staff who have required aptitude for rural banking? After concluding that "there has also been a general deterioration in the quality of staff of the rural branches" and "finding personnel to man their rural branches has been one of the intricate problems faced by commercial banks", it is somewhat disappointing that the committee has not given due attention to the need for a rural banking cadre in each bank.

Being a democratic and federated structure, the staff problem in co-operatives is different from that in commercial banks.

The services of a full-time qualified and trained secretary is 'critical' to the development of PACs. Under the cadre scheme, centralised recruitment of secretaries was done at the district level. Mainly because of poor financial position of PACs, insufficient inflow of money to build up the cadre fund and lack of accountability of secretaries to the elected management of society, the scheme faltered. The committee is therefore not in favour of the cadre scheme.

A well defined staff policy for PACs which takes care of adequate remuneration and avenues of promotion is difficult. Whatever is suggested has to be implemented sincerely and in the right spirit. From this angle, the following suggestions of the committee should find acceptance,

(i) To enable the PACs in finding the right person for the secretary's post, the DCCB should assist by preparing panels of suitable candidates and SCB should give proper guidelines for this purpose.

(ii) Separate pay scales will have to be fixed for different gradations of societies—up to Rs 5 lakh credit business, Rs 5 to 10 lakh business and above Rs 10 lakh business.

(iii) To provide avenues of promotion, a regular procedure has to be developed under which DCCB informs all secretaries of PACs in lower classification whenever a PAC in higher classification intends to recruit its secretary which carries higher emoluments. Secondly, a specific quota of appropriate posts may also be earmarked in the DCCB itself.

Problem of Overdues

The problem of overdues has become serious over the years due to various reasons including poor quality of loaning and political pressures. As at the end of June 1986, rural overdues of all credit institutions formed 42 per cent of the total demand. A comprehensive and critical analysis of the overdues syndrome based on field level findings is presented in the report. Such a detailed examination of the problem had not been attempted since the time of the Datey Committee in 1974.

The committee has marshalled considerable information to bring out how internal factors—(i) fixation of unrealistic date for repayment, (ii) delay in loan sanction, (iii) under financing, (iv) absence of linkages of credit with marketing, (v) lack of provision of working capital along with investment loan, (vi) lack of access to institutional credit for consumption purpose, and (vii) ineffective supervision—and how external factors—(i) natural calamities, (ii) lack of entrepreneurial skills on the part of borrowers, (iii) resort to short cuts in achieving targets including disbursement in "loan melas", (iv) politicisation of overdues problem resulting in demand for write off of loans and wilful defaulters, etc, have been the cause of deteriorating situation.

Apart from suggesting various steps to rectify the deficiencies noted above and strengthening the legal provisions to facilitate recovery, the committee has stressed the "need for strong political will and a general consensus among various political parties to give up misuse of the agricultural credit system" [p 583].

As regards legal framework for prompt recovery, the report rightly says that "the ultimate solution to the problem will lie in having a single common legal framework covering both co-operative and

commercial banks, constitution of special tribunals at the state level and a single special department in each state exclusively entrusted with the task relating to execution of awards obtained through such special tribunals" [p 594]. The committee has put forth the solution in the right manner.

Functional Societies

While discussing the overdues problem and supervision over credit, the committee has said that "organisational innovations like formation of self-help groups to act as links between credit agencies and borrowers" would also help in educating the farmers. The committee has also commended the practice of giving loans on a group-basis. But it does not seem to have taken any stand on the functional societies in this regard.

The CRAFICARD had taken a clear stand on this issue. It stated that "in the case of activities like poultry raising, dairying, sheep rearing, etc, where supply and marketing arrangements are more important and credit comes in only as a supporting factor, combining credit with other operations under a single society becomes necessary and beneficial". More and more functional co-operatives—dairy, poultry, fisheries, handlooms, etc, societies—are bound to come up because of their distinct advantages to the members and, as a policy measure, it becomes necessary to promote and assist in their all-round development.

Role of NABARD

Without going into the details of the various issues relating to NABARD examined in the report, suffice it to say that this apex institution, established in 1982, has to be reorganised. Among others, the committee has pointed out that:

(i) NABARD's functions are an amalgam of activities inherited from the parent organisations rather than those of a unified apex institution.

(ii) The refinance function has attracted relatively more attention and resources over the years.

(iii) In future, NABARD should give greater attention to (a) leadership role in institution building specially to revitalise the co-operative system and (b) non-farm business and agro-processing activities.

While all this no doubt needs to be emphasised, the question is whether NABARD as a development organisation has become unwieldy. It is from this angle the reviewer does not find a satisfactory justification for burdening it with inspection of co-operative banks and RRBs which is a regulatory function and should legitimately remain with RBI. The CRAFICARD which recommended the transfer of this work also to NABARD was anxious to ensure that it did not face any difficulty in functioning but could not make out a strong case to transfer inspection work from RBI to NABARD. What it said was:

> Being an institution within the RBI complex, the statutory inspection of co-operative banks and RRBs may also be taken up by NABARD as an agency function... At the same time, we feel that the RBI as a substantial lender of funds to NABARD may have to keep a watch on the health of banking institutions as a whole. This can be ensured by occasional test inspection of these banks by the RBI with a view to satisfy itself that their operations are being carried out in conformity with the provisions of the Banking Laws [CRAFICARD Report, pp 264-65.]

Should not the authorities consider to transfer back inspection function from NABARD to RBI so that it can become less unwieldy and devote more attention to development responsibilities particularly in regard to backward areas?

Among other aspects of committee's deliberations, there are some problems on which it has evolved innovative approach to solve them. These deserve the attention of all concerned with rural credit policy and rural banking.

At present, the refinance facilities for term lending from NABARD are based on eligibility criteria based on recovery with restricted refinance in the case of banks/branches whose annual recovery rate is less than 75 per cent of demand. While such a restriction does not seriously affect RRBs, commercial banks and SCBs/DCCBs as they have access to their deposit and other resources, this has adversely affected the capacity of LDBs to advance fresh loans.

The feedback available to the committee has shown that the recovery norm has become "more a cumbersome and time consuming task for NABARD rather than effective in improving recoveries" [p 463]. In place of recovery norm, the committee has hence recommended the new discipline to be known as "Viability Criterion" supported by Intensive Institutional Strengthening Programme.

Viability norm is meant to convey the state of solvency of a bank which is to be measured in terms of the extent of erosion of owned funds by its accumulated losses and bad/doubtful debts. According to the committee, the lending institution should be eligible for full refinance as long as it is solvent on the basis of criterion mentioned above.

However, as a pre-condition for unrestricted refinance, it would be incumbent for every bank to show, at the end of each year commencing from 1989-90, a progressive improvement in recovery at least under current demand and to achieve by June 1992 and maintain thereafter each current demand. NABARD may impose restrictions on refinance as it deems fit on the banks which fail to show such improvement.

In the case of non-solvent banks, the institutional strengthening programme should be applied to improve their viability and as an interim arrangement, NABARD should provide refinance on the lines agreed upon.

One has to agree that under Indian conditions, a flexible approach as above is necessary for motivating not only the concerned institution but also the higher level institution and the state government to act promptly to remedy the situation. But, as in other spheres, the problem arises on account of non-implementation of desirable programmes.

Under the service area approach, every village in the country is allotted to one commercial bank or another and is expected to be served by a branch of that bank which prepares the branch credit plan for its command area. The committee has suggested to redefine the scope of this approach so that it graduates into development area approach. This new approach encompasses a reordering of the branch network of commercial banks, inclusion of the co-operative banking system as a partner in the scheme and keeps in view the total development of the command area of the branch.

The proposed development approach spells out what is already assumed under service area approach. Thus, besides district development plan, block and village development plans and corresponding credit plans are the essential requirements of rural lending though at present nothing substantial by way of planning is happening below the district level. However, the committee's emphasis on development and its criteria to judge the performance of each bank only point up how competent the rural banker has to be. In the words of the committee:

> emphasis shifts on the one hand to effective savings mobilisation through new techniques of financial intermediation and on the other to effective lending, with the banker going out of his parlour to canvas new schemes and projects, tying credits with inputs, inputs with outputs, outputs with repayments and repayments with new lending.

The rural banker henceforth is to be judged "by how much he succeeded in changing the economy of the customer and socio-economic face of the region".

No doubt all this is desirable, but where are the ground level conditions to achieve the ideal approach involving a good deal of spade work and co-ordination? More ambitious approach only creates frustration and endangers even the simpler approach.

It is necessary, as the committee has

argued, to develop rural infrastructure and supporting services as a prerequisite for investment in agriculture in the eastern states—West Bengal, Bihar, Orissa and north-eastern region. These states call for a type of projects and programmes and funding arrangements which are substantially different from other states. Hence, for each of these four areas, the committee has recommended the establishment of ARDC to be jointly owned by central and state governments. The funding of bulk of the activities of these corporations would have to be from the budgetary resources though the corporations would have access to market borrowings and bank credit including from NABARD.

The main task of each ARDC would be to adopt a bolder strategy for increasing the tempo of agricultural lending in the state. It is to act as a catalyst for development, taking initiative in all the matters relating to rural development and co-ordinating with concerned departments and lending institutions. Such a step was long overdue and sooner ARDC is set up in each state, the better it is for the development of the state.

External Factors and Rural Credit Problem

There are two sets of external factors which have a direct bearing on and adversely affect rural lending operations of banks. One category consists of political interference, bureaucratic dominance and dictates, and vested interests in rural areas. The second category of external factors is lack of rural infrastructure, lack of co-ordination between bank and bank on the one hand and between banks and government district level development departments on the other, lack of up-to-date land records and other related requirements, etc. The present report under review is full of statements bringing out how these factors are the cause of inefficient working of rural credit institutions.

We have been complaining of political pressures since a long time, particularly when state participation in share capital of co-operatives recommended in 1954 by RCS Committee became undue state interference in actual implementation. The report under review is full of such complaints.

The change in the governmental ethos and mood resulted in excessive state interference in the co-operative [p 169]... irrespective of the political persuasions of the party in power, in the last two decades it has been a story of collective supersessions of co-operatives at all levels and in place of democratically-elected management, government officials, or non-officials nominated by the government manning them—the lower grade officials, the lower level co-operatives and the more senior level officials the higher tiers of co-operatives [p 179].

The politicalisation of co-operatives in the last few decades has caused much damage to the system. Politicalisation has not confined itself to management area, it extends to the conduct of business also. One clear example of this in the co-operatives... is the general write-off of co-operative dues resorted to by state governments [p 181].

To rectify the situation, the committee has suggested as follows:

(i) Governments must forthwith withdraw their intervention and interference. Nominated functionaries presiding over the SCBs and other co-operative institutions should be withdrawn and the elections of the office-bearers and the managing committees should be held promptly. Changes in the co-operative law should be introduced which will make it impossible for protracted supersession and take-over of the co-operatives [p 23].

(ii) The powers of the Government in regard to organisational matters of co-operatives should be vested with the higher co-operative organisation [p 180].

While all that is suggested above has to be implemented without further delay, this alone however is not enough to create conducive environment for promoting autonomous and healthy credit institutions and sound-lending operations. In the forceful plea of the committee:

> there is an imperative need for a strong political will and a general consensus among various political parties to give up misuse of the agricultural credit system as a means for achieving political ends, restore the sanctity of credit institutions and allow them to function as autonomous banking institutions. Unless and until this is done and well in time, the prospects of the growth of agricultural lending institutions on sound lines seems quite dim and any amount of effort by the credit agencies to improve the quality of lending and improve recovery of loans may not be of much avail [p 583].

With the need for district development plan as the base for the district credit plan and with more and more plan programmes becoming more and more credit-based, the role of government officials has become significant. The gaps in their role and excessive importance attached to the attainment of targets which the government officials fix have created problems for bank lending. As the committee puts it, "the excessive concern with target achievement has resulted in marginalising the function of branch managers. They have been reduced to the position of mere instruments to carry out the instructions of government functionaries at the local level and are obliged to lend even if the usual norms of lending and reasonably sound banking practices are to be overlooked, if not altogether ignored" [p 87].

Though the committee has pointed out the bad effect of obsession of government functionaries with targets on the quality of lending, it has not sufficiently stressed the need for proper training of government officials in development lending in an inter-face programme with bank officials so that they begin to appreciate the necessity of adhering to norms of sound lending, recovery of loans and problems of rural credit institutions in this regard.

As mentioned earlier, a large number of PACs and branches of commercial banks and rural banks do not have proper premises which can befit a banking institution, do not have godowns and do not have minimum living facilities for their staff at their rural branch centres. Besides banking infrastructure, lack of other supporting infrastructure such as extension services, marketing arrangements, etc, is equally responsible for the poor performance of rural credit institutions.

Among others, the committee has recommended that:

(i) Each state should establish a multi-disciplinary organisation to attend to fairly long-term planning for agricultural development, formulation of area-specific schemes, development of backward and forward linkages and building up of necessary infrastructure facilities needed by the agricultural sector.

(ii) Reiterating the suggestion of CRAFICARD for the creation of "Primary Co-operative Development Fund" by SCBs/DCCBs, the report says that such fund should be created without delay and regular annual contributions should be made to this fund so that PACs could be assisted for erection of modern counters, purchase of safe, etc [p 236].

We should only wish that the central and state governments implement these suggestions promptly.

Reviewing such a comprehensive report of an expert group, running into 1,074 pages and studded with a large quantum of field-level findings and statistical statements and covering every aspect of the rural credit system, is a difficult task. An attempt has been made in this review to critically examine the recommendations of the committee on those issues which, in the opinion of the reviewer, are crucial for the development of sound and forward-looking rural credit system. It is hoped that the reader gets a bird's-eye view of the stupendous work which the Reserve Bank's Agricultural Credit Review Committee has accomplished with distinction. Our problem has always been and continues to be in converting good intentions and recommendations into time-bound operational programmes and their sincere implementation.

Notes

1 General Report, Vol II, p 151.

2 The six members are: (1) M M K Wali (former lt governor, New Delhi), (2) M V Hate (former dy governor, RBI), (3) A S Kahlon (former chairman of Agricultural Prices Commission), (4) J W Mellor (director, International Food Policy Research Institute, Washington), (5) G A A Van der Linden (former general manager, Rabo Bank, Netherlands), and (6) Basilio Estanislao (former chairman, Land Bank of Philippines, Manila and former chairman, APRACA).

3 GOI notification of July 1, 1975 appointing the working group.

June 1993

Irrigation in Eighth Plan: A Critique
B D Dhawan

Redefining Gujarat's Irrigation Potential: A Model
Dilip H Parikh
Amrish J Vora
Yogindar K Alagh

In Search of Tanks: Some Hidden Facts
S Janakarajan

Watershed Development: A Contrast with NREP/JRY
Kanchan Chopra
Gopal K Kadekodi

Irrigation in Eighth Plan: A Critique

B D Dhawan

The final version of the Eighth Five-Year Plan is now available. The proposed programme for the irrigation segment is of as much interest as is the planners' own progress report on the state of affairs in this vital segment of Indian agriculture. This paper takes a close look at the Plan document's contents pertaining to Indian irrigation.

I

Plan Programme

INVESTMENTS in four categories of works, namely, (1) major and medium irrigation, (2) minor irrigation, (3) command area development (CAD), and (4) flood control and drainage works, constitute the irrigation segment of a five-year plan. At 1990-91 price level, the proposed investment outlay for these four categories amounts to about Rs 32,500 crore. This hefty sum would become still bigger if one reckons with (a) supporting investments (for operating electric pumpsets) of the order of Rs 4,000 crore earmarked for rural electrification programme under the energy sector, and (b) huge investments in minor irrigation works, especially in wells, which take place on farmers' private account—the precise estimate is unknown, but it could be as high as the public sector outlay (about Rs 6,000 crore) set aside for minor irrigation. These investment statistics should reassure us that irrigation development continues to be the kingpin in planners' strategy for agricultural growth. These exceed the contemplated allocations for agriculture and allied activities (Rs 22,000 crore), and compare well with the corresponding allocations for rural development head (Rs 34,000 crore).[1]

As usual, major irrigation works account for a lion's share of the public sector investment cake set aside for irrigation segment whose breakup is as given below:

(Rs crore)

I	Major and medium irrigation	22,414
II	Minor irrigation	5,977*
III	Command area development	2,510
IV	Flood control	1,623
	Total	32,525

* Excludes private and supporting investments on public account.

The principal outcome of the above investments would be expansion of irrigation capacity of the nation. While by difinition no increase in irrigation capacity can occur from investments meant for flood control and the CAD programme, some of the investments on irrigation proper also, especially under major and medium irrigation head, would be of replacement type (euphemistically called 'stabilisation' or 'modernisation' works in the plan parlance), without any resultant increase in irrigation potential as such. No less importantly, some of the capacity in major and medium irrigation works will materialise beyond the Eighth Plan time horizon.

In all, new irrigation capacity addition of the order of 15 million hectares (mha) is anticipated by the end of the Plan. Over two-thirds of this additional capacity would be from minor irrigation works, for which a good deal of the investment funds have to come from farmers' own account. More specifically, irrigation capacity for 10.71 mha of crop area is envisaged from minor irrigation works, largely from dug-wells and tube-wells, though separate break-up of minor irrigation capacity is not given in the Plan document. The anticipated contribution from major and medium irrigation works is placed at about 5.09 mha.

New irrigation capacity takes some time before it is fully utilised. Therefore, actual expansion in irrigation area tends to lag behind the creation of new capacity. In view of this, the Plan anticipation is that actual utilisation of new capacity would be of the order of 13.6 mha: 9.36 mha from minor irrigation, and 4.25 mha from major and medium irrigation. Thus irrigation capacity worth 2 mha of crop area would remain unutilised at the end of the Eighth Plan period. This underutilisation will be witnessed in both categories of irrigation works: 0.84 mha in major and medium irrigation works, and about 1.35 mha in minor irrigation works.

Adequacy and Realism

Among many pertinent questions, two pertain to the adequacy and the realism of targets of the proposed programme for irrigation. The central objective of irrigation development is one of steady expansion in farm output, especially of foodgrains, so as to meet the rising requirements of a growing population. Elasticity of foodgrains output expansion in irrigated area being unity, let us see how much per cent expansion in irrigated area is being planned for during the Eighth Plan. An addition of 13.6 mha, over a level of 75.6 mha supposedly achieved by the beginning of the Eighth Plan (70.89 mha achieved by the end of Seventh Plan plus 4.81 mha achieved during two years, 1990-91 and 1991-92, which have elapsed between the end of Seventh and the beginning of Eighth Plan), means almost 18 per cent expansion in irrigated area over the Eighth Plan period. If grain output expansion of the same percentage order materialises, it should suffice for meeting our domestic demand, which may grow by about 10 to 11 per cent on account of simple population growth and by another 6 per cent or so on account of per capita income growth.

As for realism, it is not possible to offer any categorical answer to that question. What is likely to be achieved of the proposed targets of irrigation expansion depends on several factors. Here, past achievements in terms targets, especially in the most recent years, are of considerable relevance, though past need not repeat itself in its entirety in the future. It is here that the planners have made our task somewhat more difficult. For some unknown reason, the achievements in the Seventh Plan are not appraised in the context of original or even revised targets. All we are informed in this Plan document is the following, namely, past addition to irrigation potential from the major and medium works has "been between two and three million hectares per five-year plan with the exception of Second Plan (1.05 mha) and Fifth Plan (4.02 mha)". Even such a meagre but comparable assessment has not been made in the Plan report about minor irrigation.

II

Large-scale Irrigation

Two observations on the above quote from the Eighth Plan report are necessary. First, it is not correct to state that potential created from major and medium irrigation works during the Second Five-Year Plan was of the order of 1 mha only. The correct figure is double this level, that is, about 2.14 mha (14.33 – 12.19 *vide* Table 2 on p 57 of Volume II). Second, the corresponding achievement during the last Five-Year Plan (1985-90) was quite low, namely, 1.51 mha only as per the Planning Commission's own data in respect of created irrigation potential for the end of the Sixth and Seventh Plan periods. In view of this dismal performance against a target figure of 2.9 mha, one may be tempted to take not a very sanguine view of the proposed target of over 5 mha for major and medium irrigation for the Eighth Plan.

this target, however, appears not all that incredible when we go by the Commission's own statistics of achievements during the last two years when 1.28 mha of major and medium irrigation potential was added. And if we go by statistics of actual utilisation instead of potential created, the picture does become much less unrosy. From this angle, the achievements of the recent years appear to have been *in excess* of the created potential, as is brought out by the following data set:

Period	Major and Medium Irrigation (mha)	
	Created Potential	Actual Utilisation
Seventh Plan	1 51	2.44
1990-91	0 675	0.759
1991-92	0 604	0.686

The source of this excess performance, so to speak, needs to be understood. It is a sort of lag or spill over effect. That is to say, a part of the achievement in utilisation is nothing but the unutilised irrigation potential of the earlier period. As this factor would operate in the ongoing Eighth Plan, one should be prepared to show realism in judging the feasibility of an additional utilisation target of 4.25 mha (i e, 0.85 mha per year). After all, an utilised potential of 3.75 mha did exist in major and medium irrigation at the end of the Seventh Five-Year Plan. As some of it got utilised in two subsequent years prior to the beginning of the Eighth Plan, the reported figures of utilisation for these two years came to exceed the new capacity additions of these two years.

Proposed investments on major and medium irrigation works during the Eighth Plan are earmarked for ongoing schemes. As the planners had allowed fresh starts on too many new projects in the earlier plans, notably in the Fifth Five-Year Plan (1974-78), the nation would now have some benefit of this lapse of the past, with investments yielding capacity benefits within the Eighth Plan period on a much greater scale than has been the case hitherto. The pertinent question now is one of planned investments for major and medium irrigation works taking place in practice. The misgiving here is that state governments are finding it now increasingly difficult to find investment funds.

It is not our purpose here to analyse the factors and forces behind lack of investment funds with the state governments, as also with centre albeit on a less stringent scale. For our limited purpose it would suffice to mention about the massive burden of subsidies (including hidden subsidies such as on rural power tariff). These subsidies have gradually shrunk the investment cake, resulting in stagnation if not outright decline in fresh investments in real capital formation in Indian agriculture sector. Admittedly, governmental failure to keep inflation under control has itself accentuated the paucity of funds with the state governments.

Unfortunately, the Eighth Plan report does not record the erosion of investments in irrigation segment on account of inflation in recent years. In point of fact, there is a covert attempt to duck the issue, committing in the process some grave errors. For instance, there is this atrocious statement that the average cost per hectare of potential created from major and medium irrigation works "has risen steeply from around Rs 1,060 during the First Plan to over Rs 42,700 in the Seventh Plan." This forty-fold rise in unit investment cost of large-scale irrigation works is gravely misleading because it is not derived from investment rupees of comparable purchasing power over time. Had the Commission taken pains to record irrigation outlays at constant prices also, say, of 1970-71, the correct picture of rise in unit investment cost between the First and Seventh Plan period would be probably nearer four times, not forty times. It is for this reduced magnitude of rise in unit investment cost that the Commission's identification of numerous factors contributing to cost rise in irrigation is relevant.

For the first time, it is refreshing to find some harsh realities of Indian planning being stated forthrightly, if not bluntly, in the Plan document. For example, look at the following denunciation of large-scale irrigation planning in the country:

> The biggest single malady in the major and medium irrigation sector right from the First Plan has been the continued tendency to start more and more new projects resulting in wanton proliferation of projects, thin spreading of resources and consequent time and cost overruns. Though all the Plans, without exception, declared their intention to give priority to complete the ongoing schemes, the addition of new schemes continued unabated (p 58).

Is this simply an instance of self flagellation by the supreme planning body of the country? Or, is the ire covertly directed at politicians for interfering in an overriding manner in our water planning? Another possible interpretation could be that the centre is now openly castigating the states for not abiding by plan guidelines in the matter of fresh project starts. If so, one is at a loss why the centre did not discipline the states much earlier albeit in some indirect manner.[2]

While the Commission is very eloquent in divulging details about the number of new project starts in different Plans, it is not so forthcoming in respect of ongoing (i e, incomplete) ones. Thus it does not inform us for how long these projects have been lingering on. So, in the absence of a Planwise frequency distribution of projects we have no way of rejecting the much-aired criticism that some of these projects (major as well as medium ones) are of the First Plan vintage![3] The Commission's lack of interest (or forthcoming ingness in case it has compiled such a break-up for its own record) in this vital matter is a puzzle. All that it has to say of the matter is reproduced below:[4]

> At the end of the Seventh Plan, there were as many as 182 major . . and 312 medium ongoing irrigation projects requiring ... a huge amount of Rs 39,044 crore (at the 1990-91 price level) to complete them. A list of ongoing major and medium irrigation projects is at Statement 3.2. The frequency distribution of expenditure incurred up to the end of Seventh Plan on such ongoing major and medium projects is as given in Table 4 (p 58).

III

Small-scale Irrigation

The past performance of minor irrigation has been very encouraging, with achievements often crossing Plan targets. The planners, however, do not give any such account in the Eighth Plan report. Anyway, the target of an additional minor irrigation capacity of the order of 10 7 mha during 1992-97 appears quite reachable once we realise that the achievement in this regard during the Seventh Plan was of the order of 9 mha as per the assessment of the Planning Commission. And the pace of progress during the subsequent two years, 1990-91 and 1991-92, has not slackened in anyway, registering yearly additions of 1.8 mha and 1.9 mha, respectively.

A look at the statewise progress in minor irrigation development reveals the pre-eminent place of Uttar Pradesh. This state's share in national total at the end of the Seventh Plan stood over 16 mha, which constituted over 35 per cent of the corresponding national total of over 46 mha. During the last two years this percentage share had been still higher, well over 60 per cent. In a way, this regional imbalance in minor irrigation development is sought to be maintained during the Eighth Plan, as Uttar Pradesh is allotted half the target for new minor irrigation capacity for the period 1992-97.

It is true that UP is a very large state, and its endowment of water resources for minor irrigation development is higher than those of very many other states, especially in southern and western India. Yet doubts persist about according such high primacy to this state in developing minor irrigation potential in the coming years. Two of these may be stated here. First, the state suffers from chronic power

shortages.[5] Its power sector has lagged far behind the national power sector which itself has failed to expand *pari passu* with our growing power needs. As a result, available power supplies in this state are getting thinly spread among growing multitudes of electric pumpsets used in tube-well irrigation, the principal mode of small-scale irrigation of the state. In the absence of requisite step-up in outlays for power generation and rural electrification, the process of decline in running hours per tube-well per year would continue unabated. Attention is being drawn here to this missing link of supporting investments in power sector on public account because the imperative of such investments is not realised by those who erroneously subscribe to the view that minor irrigation is a low cost option for the Indian economy. Second, there is a question mark as to whether so much of minor irrigation development in UP is a sustainable proposition. The statistics of *ultimate* minor irrigation potential, duly mentioned in the Plan document, suggest an irrigation capability of 13.20 mha only against this state. By the beginning of the Eighth Plan a minor irrigation potential of the order of 18.75 mha had already come into being in this state as per the data with the Planning Commission. If the Eighth Plan target of 5.44 mha is added to this already big figure, we get a massive minor irrigation potential of 22.2 mha by the end of Eighth Plan. We thus reach a number that is exactly 9 mha above the ultimate minor irrigation potential of the state.

The Five-Year Plan reports never give separate data for ground water and surface water components of minor irrigation. But we do know this break-up from other reliable sources, especially from the reports of the working groups constituted by the Planning Commission for doing the spade work for formulating Plan proposals on minor irrigation. Thus we find that bulk of the ultimate minor irrigation potential of UP is from ground water sources. Small-scale surface water-based schemes account for barely 1.2 mha out of 13.2 mha of its ultimate minor irrigation potential.

It is true that this estimated 12 mha ultimate potential from ground water is admittedly underassessed. One revised estimate for the state, as per the new procedures suggested by the Central Groundwater Board, is placed at 18 mha. Even if we go by this revised estimate, the proposed programme for minor irrigation for UP appears excessive in ground water realm. This would give rise to envisaged minor irrigation capacity markedly overshooting the sustainable level in UP. Specifically, the minor irrigation potential by the end of Eighth Plan could be about 3 mha in excess of even the upwardly revised estimate of 19.2 mha for the state's ultimate minor irrigation capacity. Thus the Eighth Plan unwittingly provides for overexploitation of state's ground water resources by a sizeable margin of one-sixth (one-fourth on the basis of unrevised or present estimate of 12 mha).[6]

This issue of sustainability of ground water-based farming emerges at the national level also, though in a much less attenuated form. The anticipated minor irrigation capacity of 61 mha in 1996-97 turns out to be 6 mha more than the current estimate of 55 mha for ultimate minor irrigation potential. The resultant excess would be in the form of overdevelopment of ground water irrigation. At the aggregate level, the Yojana Bhavan is not yet prepared to face the logic of its own numbers. Why? The conjecture here is two-fold. On the one hand, the Commission is convinced that the estimate of 55 mha for ultimate irrigation potential that it has hitherto employed in its water planning for nearly two decades is seriously understated. On the other, such statistics of achievements in minor irrigation capacity as have been used by it so far in its Plan preparations are most probably overstated. An inkling about this second presumption comes from some remarks one comes across in the Eighth Plan document itself, especially in paras 3/6/4, 3/8/1 and 3/8/2. As an illustration, the following remark is noteworthy:

> The Plan estimates of potential created by minor works, computed from reports of state governments, are at variance with data compiled by the Minor Irrigation Census from the village records (para 3/6/4, p 62, Volume II).

The direction and the extent of the difference between two sources of data, namely, (1) progress reports of state governments submitted to the Planning Commission at the time of seeking Plan approvals/funds, and (2) the Census of Minor Irrigation commissioned by the centre in 1986-87, are discreetly held back from the public. As this census report is not yet officially released, we have no option but to go by unofficially published/released information in this regard, however partial or preliminary in character this may be. In what follows this comparison is undertaken for two states, UP and Gujarat, for both of which alone we find the odd situation of minor irrigation development even today exceeding ultimate minor irrigation potential. There does exist a substantial difference between the two sets of data. However, we have mixed results as regards the direction of this difference.

According to the census, the created minor irrigation potential in UP in 1986-87 was of the order of only 9.21 mha. The corresponding estimate from the background Plan documents can be derived by adding to Sixth Plan end (1984-85) achievement figure, viz, 12.131 mha, the actual achievements during 1985-86 and 1986-87, namely, 0.844 mha and 0.872 mha, respectively. So, we end up with a Plan estimate of about 13.85 mha which turns out to be about 4.6 mha higher than the census figure. In contrast, the Plan figure in the case of Gujarat state is much *below* the census one. Here, the census figure stands at about 3.854 mha, well above the corresponding Plan figure of 1.728 mha. These revelations caution us not to conclude (a) that the census estimate would always be less than the Plan estimate, and (b) that the census statistics should invariably be treated with greater confidence. We must not forget that, so far as the estimate of irrigation potential as such is concerned, one cannot assert that in adopting *unit* norms of irrigation capacity the administrators of one source, say, the census of minor irrigation, would necessarily be doing a more credible job. The task of assessing irrigation potential is far more ticklish in the case of minor than major irrigation works. This observation has been necessitated because of a streak of fascination for census of minor irrigation detected by the author in the Eighth Plan write-up on minor irrigation.

It does not speak well of Indian water planning that the planners have not yet taken a view on the new estimates of our ultimate irrigation potential from ground water resources. Their observations on the matter in para 3/11/2 (p 64) do not add anything worthwhile on the subject. For one, they drift into side or subsidiary issues. For another, one important sentence is badly drafted; instead of mentioning the revised crop delta figure of 0.48 ha-metres (inappropriately abbreviated as mha in the para), it states the revised ultimate irrigation potential of 80 mha.

It may be pointed out here the revised estimates found favour with the Working Group for Minor Irrigation for the Eighth Plan (1990-95), whose report was submitted in July 1989. If the Commission has reservations on the same, it should say so explicitly, and not obliquely through a persistence with the earlier estimates. The task of revision has admittedly not been accomplished satisfactorily for some states, notably West Bengal and states underlain with hard rocks (Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and Madhya Pradesh). For a water abundant state such as West Bengal, the ultimate potential from ground water has been revised, strangely, downwards on the questionable basis that net irrigation needs of crops here are 0.94 metres/ha,

twice the national level. And in the case of ground water scarce hard rock states the estimates have been jacked up. While the case for upward revision exists for all states, the occasion to do so has been misused to obtain motivated estimates for many states.

Before concluding this section on minor irrigation, it is necessary to point out one error about shallow tube-wells in the Plan report. Their number is incorrectly reported as 4.75 lakhs (it should read 47.5 lakhs or 4.75 millions) in the following para on the composition of minor irrigation works in the country:

> As per 1986-87 Minor Irrigation Census, 95 lakh wells, 0.64 lakh deep tubewells and 4.75 lakh shallow tubewells have been dug; 4.22 lakh surface works completed and the number of pumpsets energised rose from 0.2 million in 1950-51 to 11.2 million by 1989-90 (p 61).

IV
Command Area Development

Many well-meaning people strongly feel that instead of concentrating on developing new irrigation capacity it is more sensible now to concentrate resources and attention on getting full production benefits from already established projects with performance much below par. To some extent, the CAD programme has been added to Indian water planning in the mid-70s precisely with this consideration in mind. Since this too is a resource-intensive job, resource allocation for this purpose poses the dilemma of growth versus maintaining spatial equity in development. In other words, further allocation of developmental resources to tracts which have already benefited in the first instance from simple conversion from rain-fed to irrigated farming, means deprivation of other rain-fed tracts from benefits of a simple switchover from rain-fed to irrigated farming. While production gains arise in both cases, spatial inequity in farm income and wealth increases under the first alternative, that is, the CAD programme.

In a country of continental dimensions and diversity, pressure for spatial spread in developmental planning is quite acute.[7] The concept of CAD has been so modified that the central objective has become one of utilisation of unutilised capacity of major irrigation projects. In other words, the focus is on converting rain-fed fields into irrigated ones by utilising the unutilised capacity through measures like construction of field channels, land levelling and land shaping. To a large extent, this overcomes the dilemma mentioned earlier.

Though this author is not in favour of a full-blooded CAD programme[8] at the present stage of our development, he certainly would like the programme as it is to be implemented in a much more effective manner.

V
Other Comments

Additivity Problem

This problem in additivity of irrigation potentials has two facets. One is about whether irrigation potential created through major and medium schemes over a given plan period is wholly additive to that created through minor irrigation schemes over the corresponding period. The other is about these new capacities being fully additive to those already established at the beginning of that plan period. Evidently, some of the new capacity may be of the replacement genre, whereby a newer type of irrigation becomes a substitute for an older mode of irrigation (say, a new tube-well replaces a dug-well) or the same type which has outlived its utility. In such a case, net addition to total irrigation capacity is bound to be less than that implied by the new capacity numbers.

Leaving aside the replacement aspect for the moment,[9] let us address ourselves to the other aspect, namely, additivity of irrigation capacities of two principal categories of irrigation. Attention to this has been drawn for the first time in the Eighth Plan document, albeit in an indirect manner. The issue has been, so to speak, forced on the planners by the results of the Census of Minor Irrigation, 1986-87, which revealed that one-tenth of capacity utilisation in the case of a minor irrigation work is in a supplementary or supporting role with another source of irrigation. This is mentioned in the Plan document in the context of past progress in ground water irrigation in the following words:

> ....The Plan estimates of potential created do not distinguish between the gross area irrigated by ground water as a sole source and as a supplement to surface works. The Minor Irrigation Census has estimated the extent of supplementary irrigation by works at nearly 2.9 million hectares, representing nearly 10 per cent of the estimated potential of ground water works at that time. This distinction between sole and supplementary irrigation by the wells is unfortunately not observed by most states. To that extent, the estimates of potential reported in the Plan documents are not strictly comparable with those compiled under land use and cropping statistics (para 3/8/2, p 63).

The problem of jointness or conjunctiveness in irrigation sources is typically a phenomenon of canal commands. In the case of protective canals like those of northern India, canal supplies are inherently inadequate for practising intensive farming based on fully meeting irrigation needs of crops right up to the recommended or optimum level for a crop. In order to (a) raise water-intensive crops like paddy and sugarcane and (b) practise intensive farming up to the full profit margin, farmers in such canal commands maintain their own sources of irrigation, generally wells, from which the needed water supplies are met. To a large extent, the tail-end reaches of a non-protective canal system are no better than the protective canal commands, with canal supplies being poor both in quantum and timeliness. So, such tail-end farmers too have found it worthwhile to invest in their own wells.[10]

The data format of colonial days still in use does not allow village functionaries to record irrigated area statistics on a highly differentiated basis. While principal sources of irrigation are well distinguished, there is no provision for recording cases of multiple use of sources of irrigation for a given irrigated crop. In the event of joint irrigation from two or more sources, the functionary is expected to go by the single dominant source of irrigation. But the classification task becomes too problematic if village fields/plots as such, and not crop areas, are to be classified by type of irrigation status, as is the whole import of compiling statistics of net irrigated area by type of irrigation. Under the current outmoded classification, one is at a loss while categorising an irrigated plot of a farmer to which he mainly applied tank water in the wet season and depended primarily on his own well water in the subsequent dry season.[11]

The need of the hour is to know how much of total (gross) cropped area under irrigation in a given year is under solo or single source of irrigation by type (canal, tank, tube-well, dug-well, etc), and how much under multiple irrigation (canal-cum-well, or tank-cum-well). This will throw some light on the rise of conjunctive irrigation in the country. And this is a manageable task. On the other hand, gathering information on number of waterings per crop and by season, however interesting such information might be, is altogether an infeasible task. Such information is best gathered through periodic sample surveys, not through total enumeration year after year (as is recommended in the Plan document while dealing with needed improvements in data base of Indian irrigation).

It is partly because of conjunctive use of two sources of irrigation that statistics of gross irrigated area as per the land utilisation data can well exceed the corresponding figures of the Planning Commission based on reports from the states. The difference as of today is unknown,

thanks to the great lag (almost 5 years) in the publication of land utilisation statistics. So, we do not know how much gross irrigated area for 1991-92 was there corresponding to the Planning Commission's estimated figure of 75.70 mha (as per capacity utilisation). The latest statistics from both the sources are for the end of the Sixth Plan (1984-85), for which the estimate of the Planning Commission stood about 6 mha above the corresponding figure of 60.58 mha from the land utilisation records. In point of fact, this kind of difference is noticeable since 1960-61.

	Gross Irrigated Area (mha)	
	Plan Documents	Land Records
Second Plan end	28.05	27.98
Third Plan end	32.20	30.90
1968-69	35.80	35.43
Fourth Plan end	42.20	40.28
Fifth Plan end	48.50	46.08
1979-80	52.70	49.21
Sixth Plan end	60.58	54.67

It needs to be pointed out that the problem of lack of additivity is not confined to that between major and minor works only. When wells happen to be used as a supplementary source within tank commands, the non-addivity arises between two minor irrigation works.

State of Finances

The financial state of public irrigation works in India has been worsening since the early 60s. Things are bad not just in respect of large-scale irrigation schemes; these are equally dismal in the case of medium surface irrigation schemes, and minor lift irrigation schemes, especially public tubewells (operated departmentally or through public tubewell corporations). In the case of lift irrigation schemes, the dismal financial picture becomes still graver when one takes into account the substantial hidden subsidy in electric power supplied by the public electricity boards. The following extract from the Eighth Plan report's write-up under the head 'Pricing of Water' gives the impression as if the financial mess is solely due to gross underpricing of public irrigation service:

> It is well known that the water charges collected do not cover even working expenses, not to speak of depreciation charges and contributing even a moderate return on investments. It is worth noting that just prior to independence (1945-46) public irrigation schemes showed a surplus of Rs 7.92 crore after meeting working expenses, interest charges and setting off losses on unproductive works. This author may clarify that the 'unproductive' irrigation schemes were those which could not pass the financial productivity criterion of earning a stipulated rate of return to cover the interest cost of capital funds (In a way, these were the so called protective irrigation schemes for famine-prone areas After independence the position had deteriorated rapidly.) According to estimates for 1987-88 the annual loss of irrigation systems amounts to a staggering Rs 1,705 crore. The same estimate shows that the gap between the annual working expense and the gross receipts from water rates stood at over Rs 400 crore. There has also been reluctance on the part of state governments to adjust water rates at least in states with rising costs. Similar problems exist in the case of ground water irrigation where water rates reflect only about one-sixth of economic water rates. Electric charges for agriculture purposes including pumping of water are also highly subsidised (pp 67-68).

Irrigation is quite a capital-intensive activity, more so in the case of large-scale irrigation works Recovery of this capital cost through water tariff that is inclusive of depreciation charge is beyond debate.[12] The rub of the matter in pricing public irrigation is the issue of recovering opportunity cost of capital resources used in establishing such irrigation. The Planning Commission seems to favour recovering much less than the full opportunity cost of capital when it laments about irrigation investments "not contributing even a moderate return". The argument for such recovery is spelt out in the following terms of spatial equity and tenability:

> This situation, in which the State is investing enormous amounts of public money, largely borrowed, without recouping any part of it, is both inequitable and untenable—inequitable inasmuch as irrigation increases the productivity of the users and enables them to enjoy, without bearing a reasonable part of the costs, a benefit not available to majority of cultivators and untenable inasmuch as the failure to recover costs increases the burden on the already severely strained budget and is bound, in course of time to adversely affect the ability of the State to maintain or to continue expanding or improving irrigation in new areas (p 68).

The above rationale is admittedly one-sided, somewhat overlaced with the economists' efficiency principle that a user should pay for the cost of the public service he receives. In applying this principle to public irrigation, one has to contend with the following counter points:

(1) An individual farmer alone does not capture all the benefits which accrue to the economy at large by extending irrigation cover to rain-fed farming.
(2) To the extent irrigation in India is a prior requirement for agricultural development and rural transformation—just as education/literacy is a prior requirement of a well-functioning participatory democracy, the state has to bear the brunt of resources needed for the same, whether these are raised through taxation or public borrowings.
(3) The cost-plus basis of water tariff should be applied after deducting (a) costs of inefficiencies of project implementation and operation, and (b) fictitious or inflated costs on account of bribery and corruption.[13]
(4) Some of the costs are recovered indirectly when irrigation availability enables the expansion of crops, such as sugarcane and tobacco, which are principal raw materials of industries carrying excise and other taxes.

Lately, we have been investing about Rs 3,000 crore annually in our public irrigation works. Even if the deficit of the order of Rs 500 crore in annual operational costs of public irrigation had not been allowed to occur, the irrigation sector would have had an additional investment outlay available for its expansion and improvement. Needless to say, the fund paucity for the sector would practically vanish if annual interest and depreciation cost of the order of Rs 1,500 crore or so (as per the planners' idea of a moderate rate of return) had also been recouped from the farmers. While the case for upward revision of prices for water is valid, the occasion should not be used to jack these up on simplistic consideration of users who must bear full resource cost.

Finally, we have to contend with externalities or linkages in price fixation. On the one hand, water tariff fixation on high cost public lift schemes is constrained by the prices charged for public surface irrigation; if the latter happen to be low, the former cannot be pegged much out of alignment with them. This is one reason why users pay a fraction of the resource cost of lift irrigation schemes run by public corporations, because their beneficiary farmers validly seek some parity with public canal rates paid by the canal irrigators in the same state/tract. On the other hand, this very parity principle works across state boundaries, preventing states with higher costs of irrigation development to charge rates higher than those prevailing in nearby states.[14] Harsh realities like these have to be reckoned with. Also, there is need for harder and appropriate thinking on the matter, without indulging in inanities or wishful and wishy-washy thoughts like the following ones:

> The general principle should be to establish an implicit coalition between the interests of the farmer and the irrigation authorities. To the extent it succeeds, it of-

[illegible] ran a stable and efficient irrigation system would ensure an adequate water price which the farmer would willingly pay... They [i e, farmers] simply view it as another tax, not a fee for a service (p 68).

Environmental Degradation

Development of man-made resources like irrigation is seldom without loss in natural resources in quantity of quality In the case of irrigation development in India, such loss has been primarily in the shape of (i) decrement in forest cover due to the construction of big dams,[15] (ii) damage to farm land due to rise of waterlogging and salinity within canal commands (and along big feeder canals), and (iii) depletion of, or damage[16] to, ground water stock due to overdevelopment of ground water-based farming. These and related issues like siltation of reservoirs are very briefly touched upon in the Plan document under three separate sections: (a) Environmental Aspect, (b) Waterlogging and Salinity, and (c) Regulations and Development of Groundwater.

In recent years, environmental critics of Indian canal, irrigation have put forth tremendous losses in environment from such irrigation development. Unfortunately, on this score the planners merely try to reassure the nation—and with out-of-date statistics in the case of waterlogging and salinity. After parading, state by state, the conjectural estimates in this regard from the report of the National Commission on Agriculture (1976) the following assurances on the problem are held forth:

> It is reported that the spread of conjunctive use of ground water with that of surface water, especially in Punjab, Haryana and parts of UP has substantially lowered the water table and helped contain waterlogging/salinity. But there has been no systematic or comprehensive survey so far (p 64).

This absence of information on a point of great criticism of Indian canal irrigation is regrettable. This is possibly indicative of insensibility within planning circles to the issues of environmental degradation. Whatever be the factors behind such a failure, the author endorses the Plan suggestion that there should be a systematic survey to assess the extent, nature and location of waterlogged and saline/alkaline lands in existing project commands. While such a survey requires co-operation and assistance from canal project staff, the findings would lack credibility if the assessment is totally done as an in-house job by canal authorities. This caution is being sounded because at some recent national meetings (e g, Third National Water Convention at Nagpur) participants from state irrigation departments put forth incredibly low figures of waterlogged areas in selected canal commands of their states. For example, a presentation from Maharashtra, based on in-house information for 22 major projects, showed the incidence of waterlogging to be confined to about 1 per cent of the total command area only. The figure for Tawa project in Madhya Pradesh and Sarda Sahayak project in Uttar Pradesh were, likewise, showing still lower incidence of waterlogging for these two projects for which critics' figures of high incidence of waterlogging, mentioned in media writings, stood unchallenged for many years.

On ground water depletion, the Plan document has nothing solid to tell us. One cannot gauge the seriousness of this problem from an observation like "there are complaints of over-exploitation of ground water in several parts of the country". And one does not find any realism in their assessment that "over-exploitation of ground water should be discouraged by (i) legislative measures and their implementation and (ii) suitable water and power tariffs". It is not that the states have predominantly not enacted any ground water regulation laws ever since 1971 when a model bill in this regard was sent to them by the centre. Legislative regulation of ground water use is an unworkable proposition in the Indian conditions of small and fragmented landholdings. That is why both Gujarat and Tamil Nadu, having enacted the necessary legislation, have achieved little on implementation side.

To think of monitoring ground water withdrawals at an individual well-owner level in this country shows terrible ignorance of the sad state of general administration in the countryside. Lack of administrative enforcement has forced state electricity boards to give up collecting electricity bills from farmers on the basis of electric meters and adopt instead the pernicious flat power tariff based on horsepower of the electric motor installed at the time of giving electricity connection. This harsh reality of the countryside is not realised by those who, in season and out of season, keep on urging the state (a) to price canal water on volumetric basis and (b) to regulate ground water withdrawals by farmers. In the Indian conditions, the key to preventing ground water depletion is via development of surface water-based irrigation to the hilt. Such development, whether through large-scale or small-scale works not only lowers the need for ground water irrigation but also adds to ground water recharge in a big way—two-thirds of ground water in Punjab is of canal origin.

Flood Control

The task of flood control has not been tackled as vigorously as the one relating to drought proofing, though the flood-prone and the drought-prone areas are of almost equal areal extent of about 40 mha each. For one, the very need for flood protection in the east Gangetic plains, the most flood-prone region of the Indian subcontinent, has not been felt that intensely as has been the case for protective irrigation in drought-prone regions of western and southern parts of the Indian subcontinent. This may be due to Gangetic farmer's awareness of two sides of the coin; while floods might destroy crops, livestock and property, these also renew soil vigour and moisture. For another, there is a good deal of ineffectuality in the flood protection measures adopted so far. And the latest report of the Centre for Science and Environment on floods of the Indo-Gangetic plains has further added a bolt from the blue with its harsh assessment *a la* Arrow's Impossibility Theorem of Welfare Function: since the Himalayan floods are uncontrollable because of the futility of afforestation programme and engineering structures (embankments, dams, etc), the people in these plains must reconcile to living with the flood hazard.

In the immediate future, conventional works, such as embankments, drainage channels, and flood zoning would continue, though the Plan document admits "there is scope to improve the effectiveness of these investments both from the technical and economic viewpoint". Evaluation studies for such works constructured in the past are envisaged in the Eighth Plan. So far, about 15,600 km of embankments and 33,100 km of drainage channels have been constructed. One hopes that the benefit-cost ratio tool is applied in low gear but appropriately in ex-post evaluative exercises of such works, lest real problems of lack of maintenance, or shoddy construction job, should be side-tracked in evaluation. Finally, while preparing master plans for flood control and drainage for major rivers and expanding the flood forecasting network, the imperative of flood forecasting in real time has become all the more urgent if living with floods is unavoidable. Such flood forecasting-cum-warning is so necessary for avoiding human toll during the actual flood calamity.

VI

Concluding Observations

The highly adverse Morse-Berger report on the Sardar Sarovar project, which is slated to add about 1.8 mha of irrigation capacity by the end of the Eighth Plan,

...ities can't afford on newly started out controversial dams. But there is no dearth of other ongoing projects for putting our investments in and still achieve the overall target of new capacity creation in the Plan. So, the crucial question is one of requisite investments forthcoming for the irrigation sector (including rural power supply system) during the Plan.

There is no denying that a latent sense of complacency prevailed at the centre about the state of development in Indian agriculture during much of the 80s. Fortunately, the centre has lately become alive to the dangers ahead. This augurs well for agricultural development in general and irrigation development in particular in the coming years. Time alone will tell whether this concern at the centre would help the fund-starved states find the requisite money for projected investments in irrigation and rural power supply.

Notes

1 Sharp inflation in the economy since 1990-91 has already eroded the real value of these projected investments.

2 The centre cannot absolve itself of its failure here, because it did nothing to prevent Karnataka for starting half a dozen new irrigation schemes on an inter-state river without prior approval of the Planning Commission which could do no more than simply keep on listing them as unapproved projects in its own files and Plan documents. The result of this lapse is the extreme postures today adopted by states on the Cauvery dispute. Now that the total water requirements of all major irrigation works in the Cauvery basin well exceed the quantum of water flow of this river, the task of resolving the dispute through the usual principles of water sharing of common rivers has become very ticklish.

3 A couple of years ago, one engineer from Maharashtra told this author that one medium project in his state dates prior to the First Plan!

4 As the entire outlay for large-scale irrigation is now earmarked for the ongoing major and medium irrigation schemes only, the problem of spill over projects would be much less pressing during the subsequent Plans. However, such projects would still require a lion's share of the anticipated allocations for major and medium projects of the Ninth Plan. After all, the financial provisions for Eighth Plan for such works constitute just 57 per cent of the total funds required to complete the existing ongoing schemes.

5 Availability of electricity for pumpsets, according to the Census of Minor Irrigation was for a duration of just five hours per day for private wells in UP during 1986-87. The duration was an hour more for public tubewells which are expected to run round the clock at peak season to meet water needs of about 80 ha area per public tube-well—this duration averaged two hours per day for surface-lift irrigation schemes like river-pumped canals. In contrast, rural power supply in the states of Punjab, Haryana and Karnataka was for eight hours daily—10 hours in Gujarat.

6 Actual over-exploitation of ground water may, however, be averted because of actual withdrawals being less than those indicated by capacity data. Among other reasons, this lower withdrawal is due to (a) less than the recommended level of irrigation for crops and (b) actual irrigated area being less than the capacity level.

7 It is this pressure which possibly forces state politicians to make too many fresh starts on irrigation schemes, knowing that the needed investments would not be forthcoming in requisite amount over the planned gestation period.

8 A well conceived CAD programme is, acre for acre, no less expensive than irrigation development itself.

9 Replacement needs of Indian irrigation are steadily rising. The same is true for many other public sector activities like railway tracks, rail and road bridges, urban sewerage and water supply piping.

10 Considerable private well irrigation has developed also within tank commands of southern India, mainly, for coping with large year-to-year fluctuations in tank supplies to which paddy crop is very sensitive.

11 Evidently, the phenomenon of multiplicity in irrigation sources poses greater hazard of misclassification under net area basis than on crop area basis.

12 The need for indexing this charge with rising nominal unit cost of irrigation due to price inflation is obviated to the extent the collected amount of depreciation charge is put in an account that yields interest rate comparable to that of price inflation.

13 Why should beneficiary farmers pay for these unwarranted costs of public irrigation, which might today account for half the nominal resource cost of establishing public irrigation?

14 This attempt to seek spatial parity in canal water tariff can extend to other spheres. For instance, the farmers' body, BKU, is urging Haryana farmers not to pay the recently upward revised power rates because these are now much above the corresponding rates charged from their brethren in UP and Punjab; while the rate is Rs 22.50/hp in UP and Rs 18/hp in Punjab, the new Haryana rate is Rs 39/hp.

15 According to some big dam supporters, big dams are not a major factor in the loss of forest cover in the country, because one to two mha so lost constitutes barely 5-10 per cent of the total loss of forest area.

16 Damage to ground water resource arises when nearby saline or brackish waters intrude into voids created by excessive pumpage, as has been reported in the villages close to Saurashtra coast. If pumping continues without monitoring of salt content of the pumped water, soil salinity builds up, damaging eventually the land resource

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Redefining Gujarat's Irrigation Potential

A Model

Dilip H Parikh
Amrish J Vora
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Apart from official claims, a realistic estimate of irrigation potential in Gujarat based on facts would imply that water is scarce. Such realism is necessary for a reasonable irrigation development strategy to be developed. This paper attempts to prove that major and medium irrigation potential in a fairly substantial sample of dams is determined by the variation of rainfall in the command, and it advocates inter-basin transfer of water across rainfall regions, from highly reliable to uncertain rainfall regions.

THIS paper establishes that official statistics arguing that Gujarat's irrigation potential is around 64 per cent of its cropped area and that irrigation for around 32 per cent of cropped area is already developed is misleading. If the irrigation potential of Gujarat is over 60 per cent, it is one of the very well-endowed states with water resources. It would then compare favourably with states like Haryana and UP. Given the ground realities, this is such a palpably false argument that such statistics should have been contradicted a long time ago. Instead official estimates of irrigation potential keep on increasing and are dutifully used by all concerned.

Official agencies probably have a built-in reason to increase 'estimates' of potential, in order to raise claims for more resources for the irrigation sector and thus built-in bias leads to exaggerated claims of potential.

Let us at the outset clarify that a more realistic estimate of irrigation potential based on facts would imply that water is scarce and in any reasonable system of allocation would in fact buttress the claim for more resources for the sector. We believe that such realism is also necessary for any reasonable water development strategy to be developed. Also it is important to clarify that our statistical modelling exercise is not in any way a reflection on the technical capability of irrigation engineers in Gujarat. Western India has produced the last three water resource secretaries in India: C C Patel, M J Podliye, and now M Chitale. This is not an accident since uncertain rainfall and hydrology, single season rainfall, very few possible dam sites, highly differentiated soils and commercialised agriculture, produce a very different breed of problem solvers than in the alluvial plains of the north. It is just that irrigation engineers in India are technical problem solvers and are not very concerned about irrigation statistics.

We prove in this paper that major and medium irrigation potential in a fairly substantial sample of dams is determined by the variation of rainfall in the command. This then means that the hydrology of such projects is highly uncertain, since the variation of rainfall in Gujarat is high in many regions, in both the catchment and the command and when this factor is fully incorporated in a complete statistical model, irrigation potential will need to be substantially underrated.

The officially estimated irrigation potential is as follows.

(Million hectare)

Surface Irrigation	Potential	Already Developed
Major and medium	1.80	1.19
Sardar Sarovar	1 79	0
Minor irrigation	0 35	0.18
Total surface	3.94	1.37
Ground water	2 55	1.90
Total	6.49	3 27

Source: Government of Gujarat, *Development Programme, 1990-91.*

The cropped area in Gujarat was 10.6 million hectares in 1980-81 (a normal year) as per land-use statistics and fluctuates around this level depending on annual rainfall. Thus according to irrigation official statistics around 65 per cent of Gujarat's cropped area can be irrigated making Gujarat a highly water abundant state. But irrigation 'potential' is defined nowhere in concrete terms.

The Problem

Annual rainfall ranges from less than 350 mm in the north-west to over 1,800 mm in a small area in the south-west with most parts of the state receiving between 500-800 mm (the state average is 814 mm). Thus a large part of the state receives low rainfall and the rainfall is characterised by large variations over time and space.

Differences in average rainfall in the different regions of the state are as shown in Table 1. In over 50 per cent of the talukas of Gujarat the variation of rainfall in Gujarat is very high. There are very few irrigation projects in Gujarat in which water is transferred across rainfall regimes, i e, based on perennial rivers or from highly reliable rainfall regime to uncertain rainfall regimes. In many cases the rainfall regime is similar in the catchment and command. Thus:

$(\bar{X}_i, \sigma_i)$ $(\bar{X}_j \sigma_j)$ and
PR it, ε $R_{jt} \sim 1$

where, $\bar{X}$ and σ are average and second moment of rainfall distributions, R is rainfall level, i is the catchment, j is the command, t is, time period, p is correlation coefficient and ε is the set operator denoting element of.

For defining irrigation potential we would take a very liberal measure to be fair to the official estimates. Thus we assume that there are no distributional bottlenecks in the water delivery system and the design norm of irrigation efficiency of 0.6 is correct (in short of a cusec of water released from the head works, 0.6 cusec would reach the field). We further assume that in a water scarce region like Gujarat irrigation potential is created if water is available in 50 per cent years or with a 50 per cent 'reliability' factor. Normally irrigation engineers take a 75 per cent 'reliability' factor, but one of us has argued that in regions with a high value of water, this factor should be 50 per cent (see Y K Alagh, *The Next Phase of Indian Agricul-*

Table 1

Region	District	Rainfall (mm)
Southern Hilly	Dangs, Valsad	1,793
South Gujarat	Surat, Bharuch	974
Central Gujarat	Vadodara, Kheda, Panchmahals	904
North Gujarat	Ahmedabad, Gandhinagar, Mehsana, Sabarkantha, Banaskantha	734
N–W Gujarat	Kutch	340
N Saurashtra	Amreli, Bhavnagar Jamnagar, Rajkot, Surendranagar	537
S Saurashtra	Junagadh	844

Sources: Sardar Patel Institute of Economic and Social Research, Agro-Climatic Planning Unit of the Planning Commission, ARPU, Paper No 5; also see Planning Commission, *Agro-Climatic Planning in India: An Overview* (Delhi, Planning Commission, 1989), Ch 1. Report prepared under supervision of Y K Alagh.

TABLE 2: THE WATER STORAGE PERFORMANCE OF DAMS IN SAURASHTRA REGION

Sr No	Name of Scheme	No of Years for which Data Available	No of Years in which Filling is Less than 50 Per Cent	Per Cent Years with Filling 50 Per Cent and Below
1	Shetrunji	17	7	41
2	Rangola	12	6	50
3	Bhimdad	15	6	40
4	Goma	8	4	50
5	Ghelo (S)	15	3	20
6	Ghelo (I)	15	4	26
7	Surajwadi	16	5	31
8	Limbdi Bhogavo	12	4	33
9	Bhogavo (I)	14	2	14.28
10	Bhogavo (II)	17	5	29.41
11	Brahmni	15	4	26.66
12	Machhu I	17	6	35.29
13	Machhu II	6	3	50
14	Demi-I	19	5	26.31
15	Gondali	20	9	45
16	Chhapanwadi II	3	1	33.33
17	Phophal	8	3	37.50
18	Bhadar	17	3	17 64
19	Moj	20	5	25
20	Ghee	17	4	23.52
21	Puna	19	2	22.28
22	Sasoi	15	2	13.33
23	Sapda	15	4	26.66
24	Vartu	16	1	6.0
25	Fulzarc (I)	21	4	13.04

Source: Y K Alagh et al, *Planning for Prosperity*, Gandhinagar, SSNL, 1985.

ture, First Parry Lecture, 1987). In fact following this argument Gujarat has reduced the 'reliability' requirements for irrigation projects in drought-prone areas to 50 per cent. We measure the available water (irrigation potential) with these definitions. If reliability requirements are higher, or delivery efficiencies lower, the estimated potential would fall more.

TABLE 4: REGRESSED AVERAGE RAINFALL FIGURES

(1) Y50 = 200.46 − 27.23 log (AVER)
(1.434) (−1.220)
R^2 = 0.0662
F = 1.488

(2) log(450) = 10.78 − 1.19 log (AVER)
(1.884) (−1.307)
R^2 = 0.0753
F = 1.709

Y50 = Per cent of years in which dam fills up to 50 per cent
AVER = Rainfall in mm in average.
Bracketed figures denote the t values.

TABLE 5: AVERAGE RAINFALL FIGURES

Class-Interval Average Rainfall	No of Scheme Covered (Nos)
Below 475 mm	4
475 mm - 575 mm	14
575 mm - 675 mm	4
Above-675 mm	1
Total	23

TABLE 3: ANNUAL RAINFALL DATA

Sr No	Name of Scheme	Average Rainfall (mm)	Standard Deviation in the Rainfall (SD)	Variation of the Rainfall (CV)
1	Shetrunji	477.23	195.57	40.98
2	Rangola	514.70	226.37	43.98
3	Bhimdad	522.40	287.23	54.98
4	Goma	562.40	199.27	35.43
5	Ghelo (S)	521.82	273.82	52.47
6	Ghelo (I)	525.71	261.61	49.76
7	Surajwadi	627.85	326.63	52.02
8	Limbdi Bhogavo	472.20	181.12	38.36
9	Bhogavo (II)	445.50	152.89	34.52
10	Brahmni	529.38	270.63	51.12
11	Machhu-I	485.80	176.95	36.42
12	Machhu-II	485.80	176.95	36.42
13	Demi-I	512.80	289.46	56.45
14	Gondali	486.70	242.57	49.84
15	Phophal	523.85	272.27	51.98
16	Bhadan	539.70	241.13	44.68
17	Moj	724.40	592.49	81.79
18	Ghee	480.88	284.12	59.08
19	Puna	599.67	288.70	48.14
20	Sasoi	599.67	288.70	48.14
21	Sapda	450.81	298.22	66.15
22	Vartu	583.60	393.53	67.43
23	Fulzarc (I)	472.99	227.63	48.13

Source: Meteorological Statistics.

TABLE 6: DIFFERENT REGRESSION EQUATION MODELS

(1)	Y50 =	44.90 − 0.06SD		R^2 = 0.17
		(5.905)** (−2.072)*		F-Ratio = 4.293
(2)	Y50 =	54.70 − 0.50CV		R^2 = 0.21
		(5.121)** (−2.375)*		F - Ratio = 5.642*
(3)	Y50 =	138.31 − 19.54 log (SD)		R^2 = 0.22
		(3.074)** (−2.411)*		F - Ratio = 5.815*
(4)	Y50 =	135.91 − 2726 log (CV)		R^2 = 0.24
		(3.264)** (−2.549)**		F = 6.50*
(5)	Log (Y50) =	7.60 − 0.78 log (SD)		R^2 = 0.20
		(4.072)** (−2.309)*		F - Ratio = 5.33*
(6)	Log (Y50) =	7.38 − 1.05 log (CV)		R^2 = 0.21
		(4.234)** (−2.35)*		F - Ratio = 5.51*
(7)	Log (Y50) =	3.89 − 0.002 SD		R^2 = 0.16
		(12.35)** (1.983)*		F - Ratio = 3.93
(8)	Log (Y50) =	4.26 − 0.02CV		R^2 = 0.19
		(9.57)** (−2.217)*		F = 4.92*

Note: Bracketed figures denote t-values.
* Denotes 5 per cent significant.
** Denotes 1 per cent significant.
SD = Standard deviation of rainfall.
CV = Coefficient of variation of rainfall.

The Model

For this study we have chosen reservoirs of 25 dams in Saurashtra region The water storage performance is shown (Table 2) in terms of per cent of years in which the dam is filling up

In order to establish the relationship between reservoirs filling and rainfall annual rainfall data has been collected at taluka level, in which the respective reservoirs are located for the last ten years Table 3 shows average and variation rainfall for all the dams under study

At the very outset two of the dams are omitted from the study, namely Bhogavo (I) which lies in Bhal area and is below sea level and Chhapanwadi II for inadequate data The Bhogavo dam is eliminated because it falls in a drainage area in the Bhal depression in which water would collect from different areas For Chhapanwadi II we could get insufficient (only three) observations Thus these two are eliminated from the analysis

We have tried to fit several regression models with per cent of years with less than 50 per cent fillings as dependent variable and rainfall parameters as independent variables When regressed on just average rainfall fitting was very poor (Table 4) because of the very narrow range of the average rainfall figures as shown in Table 5 with most schemes in the range 475 to 575 cms

Thus the models tried one with the variables on rainfall variation as independent variables Also we have estimated models with transformation of variables such as semilog and double log We estimated the different regression equation shown in Table 6

Among above all different regression equation models, the fourth regression equation model explains well the inverse relation between coefficient of variation and number of years required to fill the dam

$$Y50 \quad 135\,91 - 27\,26 \log (C.V.)$$
$$(3\,264)^{**} \quad (2\,549)^{**}$$
$$R^2 \quad 0\,24$$
$$F \text{ Ratio} \quad 6.50^{*}$$

Elasticity of the above regression model at means of variables is N 0912 Thus elasticity is not significantly different from unity

The interpretation of this regression equation is as follows If the coefficient of variation goes up by say 10 per cent, then the number of years in which a dam fills up falls by 9 1 per cent

Equation (6) gives us directly an estimate of the elasticity of the number of years in which a dam fills up to 50 per cent, with respect to the coefficient of variation of rainfall at 1 05 or again not significantly different from unity Thus the curve would be the famous rectangular hyperbola with the property that the area under it would be a constant

Use of Model

The coefficient of variation of rainfall in Gujarat talukas can be 60 per cent or higher and if it is 40 per cent on an average this would give very low figures of reliability of irrigation in any forecast year However let us take figures for very favourable conditions from south Gujarat In Mandvi taluka C V 38 93 (close to 40 per cent) and in Vansdo taluka it is 32 91 Plugging these values in the semilog equation estimated above we get the number of years in which a dam would fill up in Vansdo taluka is 59 74 or say 60 per cent This then means that design irrigation will be available in a little less than two thirds of the years However in Mandvi taluka a dam would fill up to 50 per cent in 36 09 years i reliability will be close to a third Obviously these figures would apply only to those dams which are not dependent on perennial rivers with large flow

It is obvious that irrigation potential in Gujarat apart from that in dams fed from perennial rivers like Narmada will have to be seriously down rated Since surface irrigation enters the calculation of ground water even those calculations would need to be re examined It is extremely unlikely that including Narmada Gujarat's irrigation potential will cross 40 per cent to 50 per cent of its cropped area

It may be noted that this paper is also a powerful argument for inter basin transfer of water or regional grids The case for SSP is strong

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BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

(In thousands of Indian Rupees)

BALANCE SHEET AS AT MARCH 31, 1993

	NOTES	1993	1992
CAPITAL AND LIABILITIES			
Capital	2	10,000	10,000
Reserves and surplus	3	657,721	165,865
Deposits	4	2,857,615	2,530,524
Borrowings	5	1,883,387	182,951
Other liabilities and provisions	6	221,255	387,021
		5,629,978	3,276,361
ASSETS			
Cash and balances with Reserve Bank of India	7	1,173,661	467,303
Balances with banks and money at call and short notice	8	14,791	37,719
Investments	1(c) & 9	1,025,637	872,713
Advances	1(d) & 10	2,712,954	1,599,588
Fixed assets	1(e) & 11	402,272	31,125
Other assets	12	300,663	267,913
		5,629,978	3,276,361
Contingent liabilities	13	10,765,986	8,423,759
Bills for collection		630,377	484,338

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1993

	NOTES	1993	1992
INCOME			
Interest earned	14	717,696	491,615
Other income	15	134,521	99,246
		852,217	590,861
EXPENDITURE			
Interest expended	16	352,533	266,708
Operating expenses	17	189,802	147,889
Provisions and contingencies		191,395	82,629
		733,730	497,226
PROFIT			
Net profit for the year	1(g)	118,487	93,635
Profit brought forward		85,447	86,458
		203,934	180,093
APPROPRIATIONS			
Transfer to statutory reserve		23,697	18,727
Transfer to remittable surplus retained account		134,842	44,600
Remitted to head office		–	31,319
Balance carried forward		45,395	85,447
		203,934	180,093

The accompanying notes are an integral part of this statement.

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Vijay Sahni
Partner

Bombay
June 17, 1993

The accompanying notes are an integral part of this statement.

Banque Nationale de Paris
Sd/-
J C Tremosa
Chief Executive and
Country Manager

BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(In thousands of Indian Rupees)

1. Summary of Significant Accounting Policies

(a) General

The accompanying financial statements are prepared under the historical cost convention (as modified by note 1(e) below) and conform to statutory provisions and practices prevailing within the banking industry in the country.

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities are translated at the exchange rates notified by the Foreign Exchange Dealers' Association of India at the close of the year.

(ii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.

(iii) Profit or loss on outstanding forward contracts is accounted on an accrual basis.

(c) Investments

(i) Investments in Government and other approved securities and bonds intended to be held to maturity, are valued at the lower of cost or redemption price. Cost is adjusted for the discount accrued or the premium amortised over the period to redemption.

(ii) All other investments are valued at the lower of cost or market value. In the absence of market quotations, investments continue to be recorded at book value.

(d) Advances

Provisions for doubtful advances are made based on periodic appraisals by management of the portfolio which are to the satisfaction of the auditors. Advances in the balance sheet are stated after deduction of provisions.

(e) Fixed assets and depreciation

(i) Fixed assets are stated at cost less depreciation, except premises which are revalued and stated at market values generally determined by a Government registered valuer. The surplus arising on revaluation is credited to a Revaluation Reserve.

(ii) Depreciation is provided on all assets other than residential premises on the diminishing balance method at the following rates per annum:

Premises	10%
Other assets	10% - 25%

Depreciation on additions made upto September 30 is provided for the full year, while depreciation on additions after September 30 is provided for half the year.

(f) Staff benefits

The Indian Branches have created separate recognised funds for pension and gratuity benefits to employees. Provision for pension and gratuity benefits to employees are made on an accrual basis based on actuarial valuation.

(g) Net profit

The net profit disclosed in the profit and loss account is after:

(i) Provision for taxes on income in accordance with statutory requirements

(ii) Provision for doubtful advances

(iii) Adjustments to the value of current investments.

	1993	1992
2. Capital		
Capital	10,000	10,000
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	52,000	32,000
3. Reserves and Surplus		
Statutory reserve		
Opening balance	35,818	17,091
Additions during the year	23,697	18,727
Closing balance	59,515	35,818
Remittable surplus retained account		
Opening balance	44,600	–
Additions during the year	134,842	44,600
Closing balance	179,442	44,600
Revaluation reserve		
Opening balance	–	–
Additions during the year	373,369	–
Closing balance	373,369	–
Balance in profit and loss account	45,395	85,447
	657,721	165,865
4. Deposits		
In India		
Demand deposits		
From banks	2,306	4,567
From others	919,312	694,923
Savings bank deposits	126,537	154,304
Term deposits		
From other than banks	1,809,460	1,676,730
	2,857,615	2,530,524
5. Borrowings		
In India		
Reserve Bank of India	524,308	–
From banks	300,287	115,198
From institutions and agencies	896,782	53,272
Outside India	162,010	14,481
	1,883,387	182,951
Secured borrowings included above	–	3,272



BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(In thousands of Indian Rupees)

	1993	1992
5. Other Liabilities and Provisions		
Bills payable	50,271	103,496
Inter-office adjustments (net)	71,979	30,755
Interest accrued	70,040	55,422
Others (including provisions)	28,965	197,348
	221,255	387,021
7. Cash and Balances with Reserve Bank of India		
Cash in hand (including foreign currency notes)	3,955	7,281
Balances with Reserve Bank of India		
In current account	1,169,706	460,022
	1,173,661	467,303
8. Balances with Banks and Money at Call and Short Notice		
In India		
Balances with banks		
In current accounts	4,734	3,725
Outside India		
In current accounts	10,057	33,994
	14,791	37,719
9. Investments		
In India		
Government securities	968,526	845,396
Other approved securities	24,970	25,176
Shares	2,040	2,040
Debentures and bonds	101	101
Commercial papers	30,000	–
	1,025,637	872,713
10. Advances		
(a) Bills purchased and discounted	1,240,097	1,087,007
Cash credits, overdrafts and loans repayable on demand	1,470,973	491,456
Term loans	1,884	21,125
	2,712,954	1,599,588
(b) Secured by tangible assets	1,066,012	431,059
Covered by bank/ Government guarantees	301,085	341,187
Unsecured	1,345,857	827,342
	2,712,954	1,599,588
(c) Advances in India		
Priority sectors	159,385	118,210
Public sector	–	–
Banks	915	718
Others	2,552,654	1,480,660
	2,712,954	1,599,588
11. Fixed Assets		
Premises		
At book value:		
Beginning of year	7,171	7,171
Additions during the year	–	–
Revaluation during the year	373,369	–
Deductions during the year	(150)	–
	380,390	7,171
Less: Depreciation to date	(1,486)	(1,429)
	378,904	5,742
Other fixed assets (including furniture and fixtures)		
At book value:		
Beginning of year	53,526	36,041
Additions during the year	4,587	18,311
Deductions during the year	(1,638)	(826)
	56,475	53,526
Less: Depreciation to date	(33,107)	(28,143)
	23,368	25,383
Net book value	402,272	31,125
Premises have been revalued at March 31, 1993 and the surplus arising on revaluation has been credited to a Revaluation Reserve.		
12. Other Assets		
Interest accrued	78,677	23,452
Tax paid in advance/tax deducted at source, net	63,436	62,143
Stationery and stamps	491	90
Others		
Advances to employees	59,555	49,540
Prepaid expenses	18,853	27,435
Deposits	38,644	41,820
Others	41,007	63,433
	300,663	267,913

BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1993

(In thousands of Indian Rupees)

	1993	1992
13 Contingent Liabilities		
Claims against the bank not acknowledged as debts	33,412	33,412
Liability on account of outstanding forward exchange contracts	6,602,049	3,303,159
Guarantees given on behalf of constituents In India	2,159,101	2,472,372
Acceptances, endorsements and other obligations	917,915	1,480,059
Other items for which the bank is contingently liable	1,053,509	1,134,757
	10,765,986	8,423,759
14 Interest Earned		
Interest/discount on advances/bills	568,130	337,947
Income on investments	98,056	54,244
Interest on balances with Reserve Bank of India and other inter-bank funds	49,285	95,169
Others	2,225	4,255
	717,696	491,615
15 Other Income		
Commission, exchange and brokerage	41,751	31,765
Profit on sale of investments	7,210	46,837
Less Loss on sale of investments	(16)	(36,874)
Profit on revaluation of investments	639	31,118
Less Loss on revaluation of investments	(411)	(23,666)
Profit on sale of land, buildings and other assets	4,949	69
Less Loss on sale of land, buildings and other assets	(288)	(26)
Profit on exchange transactions	100,695	46,499
Less Loss on exchange transactions	(25,191)	(3,503)
Miscellaneous income	5,183	7,021
	134,521	99,246

	1993	1992
16 Interest Expended		
Interest on deposits	162,903	106,258
Interest on Reserve Bank of India inter bank borrowings	50,580	40,879
Others	139,050	119,571
	352,533	266,708
17 Operating Expenses		
Payments to and provisions for employees	48,116	48,997
Rent, taxes and lighting	9,863	6,795
Printing and stationery	5,948	6,493
Advertisement and publicity	1,287	1,094
Depreciation on banks property	6,138	4,964
Directors' fees, allowances and expenses	11	17
Auditors' fees and expenses	825	591
Law charges	774	1,194
Postage, telegrams, telephones, etc	3,589	4,712
Repairs and maintenance	14,027	26,820
Insurance	1,660	1,191
Cost of voluntary retirement scheme	71,128	21,508
Head office charges	9,763	7,032
Other expenditure	16,673	16,481
	189,802	147,889

18 Prior Year Comparatives

Prior year amounts have been reclassified wherever necessary to conform to the current year's presentation



BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

Auditors' Report on the Financial Statements under Section 30 of the Banking Regulation Act, 1949

We have examined the balance sheet of the Indian Branches of Banque Nationale de Paris (incorporated in France with limited liability) as at March 31, 1993 and the related profit and loss account for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act, 1956. The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Indian Branches of Banque Nationale de Paris as at March 31, 1993 and of its profit for the year then ended.

Furthermore, in our opinion,

(a) the transactions of the Indian Branches which have come to our notice have been within the powers of the Indian Branches of Banque Nationale de Paris;

(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act, 1956 in the manner so required for banking companies; and

(c) the Indian Branches have maintained proper books of account as required by law insofar as appears from our examination of those books.

Arthur Andersen & Associates
Chartered Accountants
Sd/-
Vijay Sahni
Partner

Bombay
June 17, 1993

In Search of Tanks: Some Hidden Facts

S Janakarajan

Physical and technical factors have received a great deal of attention in discussions of the decline of tank irrigation, while institutional factors which have a direct bearing on the functioning of tank irrigation have been relatively neglected. This is unfortunate especially since technical and institutional factors do not operate in isolation but often interact. This paper attempts to examine the characteristics and functioning of traditional irrigation institutions as they exist today and probe the factors underlying the disintegration of these institutions.

I
Introduction

IN the development and construction of an irrigation system, questions of engineering and hydrological interest are as relevant as the agro-climatic and economic aspects of the problem. Equally important, but largely neglected, are issues pertaining to the characteristics of water users and their interaction with water [Chambers 1977; Vaidyanathan 1985 and Coward 1980a]. The technology of water use for agriculture has developed over a period of several centuries, and its history has run parallel with the pattern of human settlements and village societies [Steward 1955]. Therefore the success or failure of an irrigation system depends to a great extent on the active participation of an individual beneficiary in association with the community at large. The scope of this paper is unambiguously limited. It tries to examine the way social relations are shaped by one specific regime of a traditional, community-maintained irrigation system, namely, tanks.

It is needless to emphasise the significance of tank irrigation as this has been one of the most important sources of irrigation, from ancient times, in several parts of India and, in particular, Tamil Nadu. It is quite impressive to note that there are reported to be about 39,000 tanks in Tamil Nadu as per the original records. However, the official statistics on the area irrigated by tanks shows that there has been a steady decline in this area over a period of time. The decline is in fact very sharp in districts like North Arcot, South Arcot and Chengalpattu, where more than one-half of the net irrigated area was under tanks during the early 1950s [Janakarajan 1986].

The deterioration of the tank irrigation system has been a subject of considerable discussion, at least since the middle of the 19th century. The Report of the Public Works Commission of 1852 stated that there was not much of voluntary community labour involved in tank maintenance, and it reported that in all districts labour was more or less forced [Sarada Raju 1942]. In fact an act was passed, namely, the Madras Compulsory Labour Act (1858) (or what was known as the 'kudimaramath'[1] Act), with a view to legalising compulsory labour for certain aspects of maintenance, and also to penalise the non-performance of kudimaramath labour. The act stated:

> Wherever by local custom any work for the purpose of irrigation or drainage or connected herewith, is usually executed by the joint labour of a village community, any person bound by such custom to contribute labour to such work, who neglects or refuses without reasonable cause to comply with a requisition for such customary aid made to him by the head of the village under the orders of the tahsildar or other superior revenue officer, shall be liable to pay a sum equal or twice the value of the labour which he is bound to contribute.[2]

The entire administration of the act of levying and collection of fines was left to the irrigation panchayats. However, this act was not comprehensive enough to bring about any radical changes in kudimaramath system. Moreover, the very essence of the principles underlying the kudimaramath system, viz, the involvement of voluntary labour of water users in maintenance work, was lost in the act as it only served to emphasise the forced labour of the community. Therefore, fresh legislations were recommended by the Famine Commission of 1878 and the Irrigation Commission of 1901-1903 [Baliga 1960].

The Famine Commission in particular brought to light quite forcefully the deteriorating conditions of tanks, and advocated a systematic policy of maintenance. One of the most important recommendations of the commission was the creation of tank restoration parties. As a result, tank restoration scheme was commenced in 1883 first in Madurai district and then was extended to other parts. As a part of the scheme, detailed surveys were made and detailed memoirs were prepared to each one of the tanks. It also prepared detailed financial estimates to carry out maintenance work.

The Irrigation Commission strongly recommended the scheme proposed by the tank restoration parties and repairs suggested by them were executed in most cases. In addition, the commission recommended that if kudimaramath system could not be enforced without the aid of legislation then it suggested an alternative; that is to impose an irrigation cess on the land irrigated by tanks and the administration of the cess be left completely to irrigation panchayats. Subsequently, through a series of irrigation bills of 1901, 1922, 1924, 1928 and 1934-36 it was attempted but they only proved to be a futile exercise [Baliga 1960; Sarada Raju 1941 and Krishnaswami 1947].

The entire discussion on the tank maintenance or kudimaramath and the need for legislative measures gained a great deal of significance mainly due to the deteriorating conditions of tanks and their associated structure. It was very much reflected in the neglected conditions of the supply channel and heavy silt accumulation in the tank bed.[3]

One of the main reasons attributed for the neglected condition of the supply channel was the extensive cultivation in the catchment area where, one found originally only jungles and hard soil. With the result of deforestation and encroachment of catchment area for cultivation, rain water falling in the catchment area never reached the tanks [Krishnaswami 1947]. The silt accumulation in the tank beds was again a serious subject of discussion for a long time. As early as 1878, the Famine Commission made several remarks on the seriousness of the problem. Krishnaswami rightly points out the fact, "if the commission of 1878 noticed that the beds of tanks were getting silted up, then it was not necessary to emphasise that since then there must have been silting up at an alarming rate".[4] Col Ellis emphasises the fact that no effective remedy has been discovered to overcome this chronic problem.[5] Therefore, it is not as though the deterioration of tank irrigation is a new phenomenon and that it attracts considerable attention of the present day government. The government today is only trying to pursue the same old discussion but to what effect is not really clear. What is more important, however, is to go into the examination of main factors that have contributed for the deterioration of tank irrigation system before making any systematic attempts on

restoring them by legal or any other means such as increased government expenditure.

The decline of tank irrigation could be for several reasons. Heavy silt accumulation in tank bed and in inlet channel; frequent occurrence of droughts and inadequate and irregular supply to tanks; encroachments in the catchment area, inlet channel and tank bed, poor and damaged conditions of regulatory structures such as sluices and surplus weirs; erosion of tank bunds, inadequacy of funds for maintenance work and so on. All these are only a set of physical factors which might have contributed to the deterioration of tank irrigation.

There is also another set of important factors which could be broadly called 'institutional' and which have direct bearing on the functioning of tank irrigation. Some of the important institutional factors are changes in the land ownership pattern in terms of caste and class; changes in the mode of cultivation, development of productive forces and in particular, the development of ground water irrigation, disintegration of traditional village level institutions and so on.

While discussion at a great length takes place on the physical and technical factors, the discussion on institutional factors are either sketchy or nil. This subject gains significance mainly because these technical and institutional factors do not act in isolation, they are so complex and often interact. In this context, this paper makes a modest attempt to examine the characteristics and functioning of traditional irrigation institutions as they exist today and to probe into the factors underlying the disintegration of such institutions.

Section II discusses the data source used and provides a broad outline of the Palar anicut system; Section III clarifies the concept of traditional irrigation institution and its structure; Section IV is devoted to highlight the varying degrees of functioning of irrigation institutions in the selected tank irrigated areas; Section V discusses factors underlying varying degrees of functioning of irrigation institutions and in the final section an attempt has been made to discuss the complex interaction of physical and institutional factors.

This note is based upon a field survey carried out in the selected tank irrigated areas fed by an age old system called Palar anicut system (PAS).[6]. This system supplies water to 317 tanks irrigating an ayacut of about 80,000 acres in North Arcot and parts of Chengalpattu districts of Tamil Nadu through four major channels. Some tanks get supplies directly from the main/branch channels but a large number of them get supplies from the surplus flows of upstream tanks. The supply of water from the anicut is irregular, inadequate and highly variable. For instance, the average volume of water drawn per annum through four major channels during the period 1964-1980 has been estimated at 4,250 mt ft, which is about 46 per cent of the total storage capacity of all the tanks supposed to be receiving supplies from the anicut. As a matter of fact, even this much of supply drawn from the anicut cannot reach the tanks, for if allowances are made for seepage and evaporation losses, only a smaller quantum of water would reach tanks. Moreover, the supply from the anicut is governed by no fixed schedules, it varies a great deal insofar as the date of opening the channels, duration of supply, quantum supplied, etc. are concerned.

For our detailed survey, 15 tanks have been selected somewhat purposively to cover various reaches across main/branch channels as well as to capture various characteristics of tanks such as size, sources of supply, number of villages fed and so on. The field survey was carried out at different phases during 1986-87.

II

Traditional Irrigation Institutions

The TIIs are characterised by several social arrangements and responsibilities basically with a view to serve the members of a village society. The social responsibilities of TIIs are to evolve and to adopt a common code for maintenance, water sharing and resolving conflicts. Therefore, the TIIs may be referred to the evolution of principles for collective action of users, for a broad spectrum of social responsibilities such as system maintenance, water sharing and conflict resolution.[8]

However, the functioning of TIIs are basically a reflection of fundamental socio economic structure of a village society. The most crucial aspect that has direct bearing on the functioning of TII is the nature of control over productive resources like land and water in the present context. There are also several other physical factors such as size and location of tanks, sources of supply to tanks, availability of free catchment area and so on. Most of these physical factors do not work in isolation and there exists a complex interaction among them.[9]

Before examining the factors underlying varying degrees of functioning of TIIs, it will be useful to discuss its major functions. Originally, as we have discussed in the introductory section, the TIIs controlled practically all activities relating to tanks. For instance, they assumed responsibilities for the maintenance of supply channel (inlet channel), desilting tank bed and strengthening the tank bunds, maintaining the regulatory structures such as sluices and surplus arrangements, maintenance of channels in the command area of a tank, regulating water supply, resolving disputes that arise in the process and so on. However, in the long run some of the key functions such as the maintenance of supply channel and desilting of tank beds were neglected by the traditional village systems. Thus, at present, in most of the tanks water users take only limited responsibilities that too not regularly.

The organisational structure in a village society, for carrying out the responsibilities of a TII, operates at two levels: One is at a more supervisory level as an enforcing authority and the other is more of a menial nature involving hard labour. The first type is called 'nattamaikar' (a group of persons, almost representing the entire village) or 'kavaimaniyam' (generally one person). While the latter is a more specific irrigation functionary, concerned with organising maintenance work, etc, the former besides carrying out the tasks of TII also have to organise village temple festivals and so on. Wherever, kavaimaniyam exists, the nattamaikar also exists but where nattamaikar assumes responsibilities of a TII kavaimaniyam does not exist. In general, the nattamaikar and kavaimaniyam are from upper castes who are also very often well-to-do farmers. Both these are honorary appointments except in one tank where the kavaimaniyam is appointed and paid by the PWD (Kaliyur Tank). The posts of kavaimaniyam and nattamai used to be hereditary some three or four decades ago, but at present in most of the villages the selection is ceased to be on hereditary basis. One can attribute several reasons for the breakdown of selection of village headmen on hereditary basis, but the most important reason is the extensive transfer of land from upper caste to lower caste people or the transfer of power from upper castes to lower castes.

The body of nattamai or kavaimaniyam is assisted by a group of irrigation workers called 'neerkattis' who are selected generally from among harijan households in rotation. The major responsibilities of neerkattis are to inspect the inlet channels during monsoon months when water flows and to bring to the notice of the nattamaikar or kavaimaniyam about any breaches or illegal tapping of water by upstream farmers, to watch the bunds and surplus weirs particularly during flood situation, to irrigate lands as per the directions of kavaimaniyam or nattamai and to protect the crop from cattle. The number of neerkattis vary from one to ten, depending upon the size of ayacut. The neerkattis are paid in kind every season (only when tank water is used, ful

payments are made as per the convention; otherwise they are paid far less than the usual payments) by farmers of a concerned ayacut. If the tank water is used the payments range from 5 kgs of paddy per acre to 15 kgs per acre per season (Table 2). Generally, wages paid are not per person; whatever quantity is paid on the basis of ayacut area cultivated, will be pooled together and shared equally among the irrigation workers. In some villages, neerkattis are assisted by a category of workers called 'thottis' whose responsibilities are to deweed the main/branch distributaries, to protect crops from cattle, etc. But they get slightly lesser wage than neerkattis. In our survey of 15 tanks, in two of them (viz, Paranthur and Kaveripakkam) thottis were existing as a category of irrigation workers. Generally the payments to irrigation workers were paid in paddy stalk.

The most common method of functioning of nattamai or kavaimaniyam is to call for a meeting of 'ayacutdars' as soon as a tank starts receiving supply through its feeder channel by having neerkattis announced the meeting by beat of drum. In the meeting it will be decided when to start the maintenance work and contribution of labour by each ayacutdar. Usually one person per acre or in some cases one person per 'kani' (1 kani = 1.32 acres) will be the requirement. If a particular, ayacutdar fails to contribute his labour then he should substitute with a hired labourer. If a farmer fails to do both then he will be fined. In fact some tanks (e g, Pudupakkam tank, Kaliyur tank) the kavaimaniyam maintains pucca records on the extent of labour involved in maintenance work. Extent of labour involved very much depends upon the extent of maintenance work needed in any given year.

The method of functioning of a TII and the organisational structure is somewhat different in the case of a large tank which is a multi village tank selected for the survey (Kaveripakkam tank). The Kaveripakkam tank has the storage capacity of 1,474 mcft with a registered ayacut of 6,278 acres providing irrigation to 14 villages. This tank is at the head of Kaveripakkam main channel, the surplus from which irrigates an extent of about 10,500 acres. The surplus channel of this tank (the bed width of which is 86 feet) is occasionally desilted and deweeded by the PWD and farmers never indulged in the collective effort for maintaining it, for it involves a co-ordinated effort of users of several villages which is not possible.

For the management and regulation of tank water, there is a body called Irrigation Board established in 1924. The board is constituted by an elected president, secretary and delegates representing various villages/sluices. The election is conducted in a more organised way by either a revenue divisional officer or a tahsildar. Those who pay the wet assessment of Rs 5 and more are eligible to vote. First the delegate for all the 10 sluices representing 14 villages will be elected who in turn elect the office bearers of the board, viz, president and secretary. Although the elections should be held once in five years, no elections were held after 1969. At present, the same president, secretary and delegates continue to serve the board (except three delegates who passed away during this period). The board is assisted by four neerkattis appointed and paid by the government. The responsibilities of these neerkattis are to inspect the inlet channel, sluices, surplus weirs and bunds of the tank, to prevent illegal tapping from inlet channel and through the sluices, to prevent encroachment in the tank bed, etc. Till 1980, they were selected on hereditary basis from among harijan households but after that it became open for everybody. At present, of the four neerkattis, three belong to the scheduled caste and one belongs to vanniar caste and their monthly remuneration is about Rs 400. Normally the sluices are opened and closed only by PWD laskars (after taking the advice from JE), but JE concerned can open or close the sluices only with the recommendation of the board.

While the powers of the Irrigation Board rests only up to the sluices, the body of nattamai, which we discussed earlier, takes care of the maintenance of main distributaries and field channels and water regulation below the sluices. Thus, in the bigger and multi village tanks the institutions function in a much more organised manner than in smaller and single village tanks.[10]

III

Functioning of TIIs

Functioning of TIIs in the selected tanks can be seen from Table 1. The table shows that the TIIs function at varying degrees in the selected tanks; in some it is effective; in some it is less effective and in some others it is defunct. Out of 15 tanks, the institutions are effective in seven tanks, they are less effective in two and defunct in six. In the seven tanks where the TIIs are effective, one can notice that the maintenance work of inlet channel, main distributaries and field channels is done somewhat periodically in the past five years. Also there exists a well established system of water allocation called 'murai' but appears to be at present a mere technique of (scarcity) crisis management. Moreover, in five out of seven tanks, where TIIs are effective, there exists specific irrigation functionary, viz, kavaimaniyam. In the case of two tanks where it is less effective the maintenance work is not done regularly atleast in the past five years. Moreover, in both these villages, no system of water allocation (murai) was followed in the past five years. In the case of six other tanks, the TIIs are defunct and in all of them there was absolutely no maintenance work done in the past five years. In fact, in four of

TABLE 1 VARYING DEGREES OF FUNCTIONING OF TIIs

Tank/Channel	Functioning of TIIs Maintenance of (in the Past 5 Years)			Existence of Irrigation Functionaries				Degree of Effectiveness of TIIs
	Inlet Channel	Main Distributaries	Field Channel	Prevalence of Murai	Kavaimaniyam	Nattamai	Neerkatti	
1 Kaveripakkam	x	•	•	x	x	•	•	Less effective
2 Peruvalayam	•	•	•	•	x	•	•	Effective
3 Agavalam	•	•	•	•	•	•	•	Effective
4 Thakkolam	x	x	x	x	x	•	•	Defunct
5 Karivedu	•	•	•	•	x	•	•	Effective
6 Perumbulipakkam	x	x	x	x	x	•	•	Defunct
7 Poigainallur	x	x	x	x	x	x	•	Defunct
8 Thiruppukuzhi	x	x	x	x	x	•	•	Defunct
9 Pudupakkam	•	•	•	•	•	•	•	Effective
10 Paranthur	•	•	•	•	•	•	•	Effective
11 Neervalur	•	•	•	x	x	•	•	Less effective
12 Velur	•	•	•	•	•	•	•	Effective
13 Vembi	x	x	x	x	x	•	x	Defunct
14 Sirungattur	x	x	x	x	x	•	•	Defunct
15 Kaliyur	•	•	•	•	•	•	•	Effective

• Refers to maintenance work done regularly in the past 5 years and the existence of irrigation functionaries.

x Refers to non-existence of maintenance work and irrigation functionaries.

Source: Survey

more than 15 years no maintenance work was reported to be undertaken. In these villages there is absolutely no system of water allocations. Although nattamai exists in these villages, this body only takes care of temple and village festivals. Quite surprisingly in 14 out of 15 tanks, the irrigation workers exist and receive conventional payments. However, the payments made to them vary across villages according to the degree of functioning of TIIs. The payments are far better in the tanks where TIIs are effective than those where they are defunct (Table 2). In those tanks where TIIs are defunct, the neerkattis are more involved in the village and temple festivals, beating drums during funerals and in some tanks they also perform some agricultural operations such as manuring, deweeding the field channels, bunding, etc, for which they get some additional payments. In one case (Vembi Tank), even neerkattis do not exist, and farmers use the tank as merely a percolation pond. It was reported in this village that since farmers do not make payments, the neerkattis refused to work for the past five years.

On the whole, the ayacutdars keep up the convention of maintaining neerkattis (although most of other institutional arrangements are defunct) mainly for village/temple festivals and for other menial work.

Nevertheless, in almost all the tanks we surveyed it was reported that the TIIs were in operation before three or four decades and were also reported to be effective. It is this context, which warrants probing into the factors underlying this varying degrees of functioning of TIIs.

IV

Functioning of TIIs

Control over Productive Resources

(a) *Water*: One of the most significant factors that has affected the functioning of the TIIs is the emergence of wells in the tank ayacut. The spread of well irrigation in these districts (Chengalpattu and North Arcot) has been tremendous after the large-scale rural electrification (during late 1950s) and this process perhaps, became faster after the introduction of new technological package, which required more assured and controllable source of irrigation. In fact, in the past couple of decades, well has become an important source of irrigation even in the wet lands irrigated by tanks and spring channels. The underlying point is that hitherto the irrigation water was treated as a property of a village society, to which every individual user had responsibility for its maintenance; but after the emergence of well in the ayacut, the irrigation water became a private property—the private property for those who have access to resources to invest in wells and in water extracting mechanism. Thus, along with land, water also has become an important productive resource. Hence these farmers who have access to ground water (which is private, more assured and controllable) lost interest in the tank water and its maintenance and so the collective effort in the maintenance work and in the system of water regulation (murai) got weakened.

In fact the interviews we had with neerkattis turn out to be the best evidence to substantiate this point. It was reported that the neerkattis hardly receive full payments at present, contrary to the fact that their forefathers were receiving substantially higher payments. They unambiguously point out the fact that the villain of the game has been the spread of well irrigation in the wet lands and tank commands.

Same point could be substantiated with some statistical details. Table 3 gives information on the well density in the ayacut and percentage of all plots getting well irrigation (in 1985-86) as per our sample survey. We will notice that in all the six tanks where the TIIs are defunct (Table 1), viz, in Thakkolam, Perumbulipakkam, Poigainallur, Tiruppukhuzhi, Vembi and Sirugattur, the well density (well per acre) is very high, i e, 0.18, 0.25, 0.16, 0.07, 0.28 and 0.33 respectively. In Tiruppukhuzhi, although one finds only 0.07 well per acre, the percentage of area receiving well irrigation is found to be 67.4 per cent. For other tanks also it is considerably high and in three of them it is over 80 per cent. In fact the case of Vembi is the most interesting one, where the sluices have been kept closed for the past seven years and the tank solely serves the purpose of a percolation pond. (This is the only village where even neerkattis have stopped working since 1980.) On the contrary, while looking at the tanks where the TIIs are effective, the well density is found to be low and also percentage of area receiving well irrigation is insignificant. For instance, in the four out of seven tanks where the TIIs are effective, the well density is found to be low and also percentage of area receiving well irrigation is insignificant. For instance, in four out of seven tanks where the TIIs are effective, viz, Peruvalayam, Karivedu, Pudupakkam and Paranthur, the well per acre works out to 0.04, 0.01, 0.02 and 0.01 respectively, and even the percentage of area receiving well irrigation works out to be very low. Only in three tanks (Velur, Agavalam and Kaliyur) the TIIs are effective but at the same time well per acre is also high (0.20, 0.14, and 0.21 respectively). This is probably due to physical factors such as that of an assured supply to the tank (Kaliyur) from other systems and the locations of a tank in the head reach of a supply chan-

Table 2. Number of Neerkattis and Their Payments

(Paddy in Kgs)

No Tanks	No of Neer-kattis	Registered Ayacut (Acres)	Payments Per Season Per Acre (in Marakkals)	Payments Per Season for the Ayacut (in Kg)	Payments Per Person in Kgs
Tanks where TIIs are effective					
1 Peruvalayam	2	248	1.0	1240	620
2 Agavalam	2	445	3.0	6675	3338
3 Karivedu	1	370	2.0	3700	3700
4 Pudupakkam	5	836	3.0	12540	2508
5 Paranthur	6+4	779	2.5	9738	1623
6 Velur	3	578	2.0	5780	1927
7 Kaliyur	6	530	3.0	7950	1325
Tanks where TIIs are less effective					
1 Kaveripakkam	5+5	NA	NA	NA	NA
2 Neervalur	7	735	1.5	5963	852
Tanks where TIIs are defunct					
1 Thakkolam	2	518	1.0	2590	1295
2 Perumbulipakkam	2	129	2.0	1290	645
3 Poigainallur	1	162	2.0	1620	1620
4 Thiruppukuzhi	2	476	2.0	4760	2380
5 Vembi	Nil	144	Nil	Nil	Nil
6 Sirugattur	1	137	2.0	1370	1370

Note: Data presented in this table is based upon the interviews held with the irrigation workers and this may not give an accurate picture.
One Marakkal = 5 Kgs.
Source: Survey.

nel (like Velur is the head reach tank of Kalavai channel). It may be interesting to note here that in all tanks where the TIIs are defunct and where the density of wells is very high, the supply from inlet channel is also stopped.

The fascinating point is that before the emergence of subsurface irrigation in the tank commands, the plots of land which were favourably located in terms of access to tank water for more than one crop (generally the head reach plots or the plots which are closer to sluices or the plot of land which receive water from the deepest sluice) were valued high. However, after the spread of well irrigation this notion remains no longer true, for it is the plot of land which has got good ground water potential that commands better price and not the one which has locational advantage in terms of closeness to sluices.

(b) *Control over Land and Land Transfers*: The land transfers (from upper castes to lower castes) have been taking place to a great extent in all the selected tank ayacuts with a few exception, and this has resulted in the breakdown of old power relations. In most of the selected tank ayacuts, before four or five decades, it was reported that a greater proportion of wet land was held by brahmins and other high caste Hindus like mudaliars, chettiyars, naidus, etc. But at present Naickers have emerged as one of the major landowners in the tank ayacut and in several places, harijans also have acquired land to a significant extent. Due to changes in the caste-class relations, the TIIs which are were hitherto managed effectively by the old landlords broke down.

As a result of the land transfers, lot of caste factions have emerged which really stand in the way of effective functioning of TIIs.[11] In the case of Kaveripakkam tank, for instance, in the head reach village of the deepest sluice (Kaveripakkam) naickers have acquired lot of lands from brahmins, chettiyars and mudaliyars and in the tail end village of this sluice (Eralacheri) harijans and pillais have bought land. Even when there is five months water supply in the tank, it was reported that naickers of Kaveripakkam never let water to flow to the tail end villages and this has resulted in several disputes. Within the head reach village also (Kaveripakkam) there are conflicting interests between mudaliyars and naickers. This is very much reflected in the emergence of separate nattamai for naickers in the past two decades; till then only mudaliar nattamai was taking all the decisions concerning the village. Such land transfers and caste factions are also seen in many other tanks such as Thakkolam, Perumbulipakkam, Poigainallur, Tiruppukkuzhi, Sirungattur, Velur and Neervalur. Of these, in the first five tanks TIIs are defunct. In other words, the land transfers resulting in changes in the mode of cultivation and the emergence of caste factions within an ayacut do not provide a conducive atmosphere for any collective effort.

Sub-division and fragmentation have been another serious problem which is the direct off-shoot of land transfers. In most of the villages sub-division and fragmentation have been taking place at a much rapid rate which comes in the way of effective functioning of TIIs. When there were relatively smaller number of landowners belonging to one or two castes, management of tank-related activities was easier or the collective action was possible. But the situation appears to be highly complicated after a large-scale transfer of lands to several castes and also number of holdings increased tremendously after series of sub-division and fragmentation. This really poses a severe threat for the effective functioning of TIIs. For instance, in Dusi-Mamandur tank (the ayacut of which is 4,118 acres, irrigating 18 villages) number of sub-divisions at the time of first settlement (1882) were 8,638. During the second settlement (1913) it rose to 11,829 and in 1982, the number went up to 14,378. In other words, average extent per sub-division declined from 0.48 acre in 1882 to 0.29 acre in 1983. Similarly in Kaveripakkam tank (the ayacut of which is 6,200 acres, irrigating 14 villages), the number of sub divisions at the time of first settlement (1882) were 5,904, which rose to 8,293 during second settlement period (1913). The number went up to 11,809 in 1983. In other words, the average extent per sub-division declined from 1.07 acres in 1882 to 0.48 acre in 1983.

The situation is more complicated when water rights are also sold along with land. The complication is that when a plot of land is sub-divided, how to distribute or transfer the water rights to respective subdivisions? In fact, in one of the villages surveyed (Perumbulipakkam) when land transfers took place from brahmins to other castes, the karnam (village level revenue officer) who generally drafts the sale documents was bribed by several farmers for transferring extra water rights (more than what one is entitled to) along with the land they bought. This does not in any case assure water right. But once it is stated in the document, at some subsequent stage, the person may claim more water. There were reported to be many such instances in this village which resulted in intra-ayacut disputes in the past.

Yet another impact of land transfers is the emergence of absentee owners in the tank ayacut which also affects the effective functioning of TIIs. For instance, in Poigainallur, about 50 per cent of the ayacut land is held by absentees (living in a neighbouring village but doing own cultivation) and in Sirungattur, about 70 per cent of the land is held by farmers of a neighbouring village. Since nattamai or kavaimaniyam of one village cannot exercise control over farmers of other village, collective effort relating to the tank ayacut becomes difficult, and unmanageable.

In other words, following is the set of conducive institutional factors that preserved the TIIs intact in the past.

(i) There were not much of caste factions; land was controlled by one or two upper castes (who were invariably forward both economically and socially).

(ii) The mode of cultivation was primarily on the basis of tenancy contracts (mostly sharecropping contracts); therefore, landlords were in a position to make use of their tenants for *kudimaramath* works free of cost.

(iii) Tank was the only source of irrigation and well irrigation was unknown in the tank commands.

(iv) Level of development of technology was low; only traditional varieties were grown and HYV technology and other related input package was unknown.

(v) There were not much of sub-division and fragmentation.

TABLE 3 WELL DENSITY AND PER CENT OF AREA RECEIVING WELL IRRIGATION

Sl No	Tanks	Well Per Acre	Per Cent of Area Receiving Well Irrigation in the Ayacut
	Tanks where TIIs are effective		
1	Peruvalayam	0.04	NA
2	Agavalam	0.14	NA
3	Karivedu	0.01	18.7
4	Pudupakkam	0.02	30.8
5	Paranthur	0.01	2.8
6	Velur	0.20	70.8
7	Kaliyur	0.21	27.5
	Tanks where TIIs are less effective		
1	Kaveripakkam	0.13*	NA
2	Neervalur	Nil	Nil
	Tanks where TIIs are defunct		
1	Thakkolam	0.18	97.2
2	Perumbulipakkam	0.25	72.2
3	Poigainallur	0.16	41.3
4	Tiruppukuzhi	0.07	67.4
5	Vembi	0.28	89.9
6	Sirungattur	0.33	83.8

* Worked out for the entire Kaveripakkam tank ayacut.

Source: Survey.

(vi) Absentee ownership was almost unknown or not reported to be a major problem.

So much to highlight the major institutional factors that might have contributed for the varying degrees of functioning of TIIs. In the next few pages the extent to which physical and technical factors contribute for the weakening of TIIs is discussed.

Physical Factors

(a) *Location.* As per the conventional notion, the head reach tanks of each main/branch channels are always better placed in terms of availability of supply of water to the tank. This very much holds good as one can see from Table 1. The TIIs are effective in all the head reach tanks of main/branch channels (Peruvalayam, Karivedu, Pudupakkam and Velur). Again in the tail end tanks, viz, Thakkolam (Kaveripakkam surplus channel) and Thiruppukuzhi (Govindavadi channel), the TIIs are defunct. In the case of Neervalur, which is the tail end tank of Kambakkal channel, the institutions although not defunct, remains less effective. The case of Kaliyur (tail end of Kalavai channel) is unique. The supply from (Palar anicut) Kalavai channel stopped more than 20 years ago, but this tank receives almost regular supply from two other sources. Hence the TIIs are still effective, although located at the tail end of a channel.

(b) *Sources of Supply to a Tank.* Supply to a tank may be from two sources, one from PAS source and the other from non-PAS sources. Within the PAS source, it may be directly from the inlet channel; from the surpluses of upstream tanks or from both. The non-PAS sources are through spring channels or from other systems. The availability of water directly through an inlet channel is the most assured one; whereas the supply through the surpluses of upstream tanks is not assured to the same degree. For instance, in most of the tanks where the TIIs are effective or less effective, the supply is directly through the inlet channel (e g, Kaveripakkam, Peruvalayam, Agavalam, Karivedu, Pudupakkam and Velur). Similarly, in most of the tanks where the TIIs are defunct, the supply is through the surpluses of upstream tanks. There are two cases where although the supply through the PAS sources is stopped completely for over a decade, the TIIs are effective basically because these ayacuts receive supply from non-PAS sources. For instance, it is more than a decade since water flowed through the Gafoor sluice (which is the most elevated sluice of Kaveripakkam tank). But still the TIIs are effective basically because this ayacut receives almost regular supply through a spring channel from Palar river. Again in the case of Kaliyur tank, the TIIs are effective even though water from PAS sources stopped more than 20 years ago. This is because, this tank receives supply from two other sources, viz, from Cheyyar spring channel and from Thandarai anicut (constructed across Cheyyar river).

Apparently, in addition to the supply channel from anicut sources, most of the tanks were getting supplies from spring channels. With a few exception, in most of the cases such springs were completely dried up at present. Preliminary survey was conducted in 27 tanks in North Arcot district, of which only five tanks still receive supply from spring channels, that too for about three to four months during monsoon months. In all others it is stopped and in several cases the spring channel has been silted up and encroached upon. The more typical cases are reported in Puduppakkam, Perumbulipakkam, Thakkolam, Poigainallur, Tiruppukkuzhi, Vembi, Sirungattur and Karivedu where springs stopped supplying for more than 20 years ago. Please note also that in most of these tanks TIIs are defunct.

(c) *Siltation and Encroachment.* In majority of the tanks surveyed, the condition of the supply channels are in a miserable state: They are silted up, encroached upon or affected by heavy weed growth. With the result, the supply channels are narrowed down. Therefore, volume of water that could flow in the channel is considerably reduced. In fact in several of the cases these channels hardly bring any water from the anicut sources.

The supply channels are under the direct control of PWD authorities but apparently suffers from a prolonged neglect. Out of 26 tanks studied for the preliminary survey, only in 12 tanks it was reported that PWD had undertaken some maintenance operations in the supply channel at least once in the past six years preceding our survey. Nevertheless, whatever little work undertaken by the PWD was totally not satisfactory and it apparently have helped only the contractors who also have political contacts. The PWD authorities, however, assert that the availability of resources for maintenance work is grossly inadequate.

However, we found that in most of the tanks where the TIIs are effective, there has been some concerted efforts to augment the supply to their tanks through the supply channel. For instance, farmers of Puduppakkam jointly desilted the inlet channel in 1983-84 and 800 mandays were spent in 15 days. Farmers of Parandur, Neervalur and Karivedu villages report that they hardly get supplies from the anicut, but still they jointly desilt the inlet channel mainly with a view to tap the rain water from the catchment area. On the other hand, in all other villages where TIIs are either defunct or less effective, there has not been any concerted efforts of any kind to augment the supply to tanks.

Silt accumulation in the tank bed has been a serious subject of discussion for more than a century. S Y Krishnaswami remarks:

> There is not much doubt that in years gone by, the tanks must have been very much deeper than they are now and that they must have had greater capacity If the Commission of 1878 (Famine Commission) noticed that the beds of tanks were getting silted up, then it is necessary to emphasise that since then there must have been silting up at an alarming rate...If this process goes on unchecked it is not impossible to visualise that within the next 30 or 40 years a great many of the existing tanks will cease to be in use and will therefore have to be abandoned.[12]

The author's vision has in fact come true, as several of the tanks that were in use some 40 years ago are at present either not seen at all or abandoned, in particular smaller ones. As a result of silt accumulation in the tank bed, the original storage capacity has been considerably reduced. Although there are no systematic estimates available on the extent of silt ac-

Table 4 Availability of Free Catchment Area

Sl No	Tanks	Free Catchment Area (Sq Miles)	Free Catchment Area Per Acre of Ayacut (Sq Miles)
	Tanks where TIIs are effective		
1	Peruvalayam	1.20	0.0052
2	Agavalam	0.55	0.0012
3	Karivedu	0.50	0.0007
4	Pudupakkam	0.95	0.0014
5	Paranthur	3.92	0.0050
6	Velur	2.00	0.0035
7	Kaliyur	3.80	0.0072
	Tanks where TIIs are less effective		
8	Kaveripakkam*	12.00	0.0019
9	Neervalur	3.00	0.0038
	Tanks where TIIs are defunct		
10	Thakkolam	0.75	0.0014
11	Perumbulipakkam	0.75	0.0058
12	Poigainallur	0.15	0.0009
13	Tiruppukuzhi	0.16	0.0003
14	Vembi	0.75	0.0052
15	Sirungattur	0.57	0.0040

* Computed on the total ayacut of Kaveripakkam tank (6278 Ac).

Source: Survey.

cumulation in the tank beds, our own survey apparently indicates that it is quite a common problem found in all the 26 tanks surveyed for the preliminary survey.[11] Farmers' impressionistic reports confirm the fact that the storage capacities of tanks have been reduced progressively over a period of time. Official estimates on silt accumulation is available in the case of one large tank viz. Kaverippakkam where the water level at the deepest sluice has been reduced from the original height of 31 feet to only 17 feet and the effective storage capacity has been reduced from 1 474 mcft to 1 162 mcft (as estimated in 1981). The official estimates show that the rate of silt accumulation has been 0.2 per cent per annum.

One of the main reasons for silt accumulation in the tank beds has been due to temporary encroachment of farmers for raising crops like vegetables. The growing of crops in the tank beds accentuate the problem of siltation mainly because farmers after harvest never take pains to remove the plants. This has been a common practice reported to be happening in most of the tanks surveyed. Another type of encroachment which is somewhat permanent in nature is found in the foreshore area and the extent of encroachment varies from three acres to 50 acres in the tanks surveyed.

(d) *Conditions of Catchment Area*: The significance of preserving of catchment area has been a problem of serious discussion at least for the past four or five decades (Krishnaswami 1947). Apparently as a result of demographic pressure the catchment areas have been converted into cultivable lands and as a consequence, the supply of water to the tanks through supply channels have been reduced. This has been reported as a most common problem in all the tanks we have surveyed.

Nevertheless, the extent of availability of free catchment area in a way assures supply to a tank. That is, if the free catchment area is large enough for a particular tank then the users will have some guarantee of tapping at least the rain water by way of desilting and deweeding the inlet channel. On the other hand if the free catchment area is relatively small, then the users may not get any such incentive to enter into a collective effort. The data shows that (Table 4) at least in four of the seven tanks where the TIIs are effective, the free catchment area per acre of ayacut is large (i.e., in Peruvalayam, Paranthur, Velur, and Kaliyur) and in three of the six tanks where TIIs are defunct, it is seen to be relatively low (i.e., in Thakkolam, Poigainallur and Tiruppukuzhi).

On the whole, the entire discussion pertaining to the conditions of physical factors in acting upon the functioning of TIIs drive us to two points, viz, flow of supplies and storage capacity of tanks. Supplies to the tanks are either reduced or completely stopped, and the storage capacity of tanks is considerably shrunk due to silt accumulation and encroachments in the tank beds. The fact of the matter is that all these deteriorating conditions of physical facilities reinforce the point that the traditional irrigation institutions are in the process of disintegration in most of the tanks.

V

Conclusion

It was indicated right at the beginning that the varying degrees of functioning of TIIs are attributable to a series of institutional and physical factors. The institutional factors are such as nature of control over productive resources, change in the land ownership pattern in terms of caste and class, changes in the mode of production and the level of development of productive forces, the physical factors are those of location of a tank, sources of supply to a tank, siltation and encroachment in the supply channel and in the tank bed, availability and the conditions of catchment area and so on. It was also pointed out earlier that all these factors (both institutional and physical) do not act in isolation and there exists a complex interaction among them. I shall elaborate on this point in the next couple of paragraphs.

Perhaps, I should start by taking up the issue of development of sub surface irrigation in the tank commands. This development for instance, cannot be viewed as an isolated phenomenon independent of other changes that have taken place in the villages. Land transfers from upper castes to the hitherto cultivating castes have been a fundamental change that has taken place in the villages which in turn has resulted in the emergence of owner cultivation in the place of tenancy contracts. The changes in the mode of cultivation coupled with the introduction of new technology have induced farmers to go in for an extensive development of well irrigation in particular wet lands.[14] As a consequence of private control and ownership to irrigation water (viz, ground water) farmers interest in the collective effort for maintaining traditional irrigation systems gets weakened. In other words, all these changes unambiguously reveal the fact that the traditional landlords who exercised a great deal of power in preserving and controlling the traditional village systems including that of traditional irrigation institutions, have lost their glory. Therefore, TIIs in its normal course got disintegrated or are in the process of disintegration in most of the tanks surveyed. But this is just one part of the story.

The access to and control over ground water has also affected seriously the physical conditions such as supply from catchments, storage capacity of tanks, etc. As a result of extensive exploitation of ground water (in particular in the catchment areas) the inflow of water in the supply channels has been either reduced or stopped completely. Moreover, in most of the tanks we surveyed it was reported that the extensive development of well irrigation in the catchment areas has resulted in the reduced or no supplies from spring channels (which were once regularly feeding the tanks). In fact, out of 26 tanks surveyed in 23 of them supplies through spring channels are either insignificant or stopped. Moreover, due to extensive development of well irrigation and over use of ground water (in the tank command) the tanks withholding capacity is reduced. Therefore it is apparent that the characteristics and varying degree of functioning of TIIs are influenced by the complex interaction of institutional and physical factors. At the surface the often suggested measure of revival of TIIs (or creating new institutions) appears to be a easy task, but the evidences provided in this paper unambiguously bring out the fact that the problem is not all that simple but deeply rooted.

Notes

[The author is extremely grateful to A Vaidyanathan and K Nagaraj who gave valuable comments on an earlier draft of this paper. I thank he also due to K Sivasubramanian who was generous in having some historical information relating to Kaveripakkam Tank. The usual caveat however remains.]

1 The word kudimaramath refers to the maintenance or repair work undertaken by the communities. It was supposed to be a collective action of a community expending labour, tools or materials in the repair or maintenance work of tanks.

2 The Manu Smriti Code 4th Edition Vol I pp 90-91. This passage was quoted in Baliga (1960).

3 S Y Krishnaswami a well known government official stated: "There is a general consensus of opinion among officers who have dealt with the maintenance of minor irrigation works and among the intelligent lay public that there has been systematic deterioration showing itself in the neglected conditions of the supply channels and in remunerative silting up of the bed level of the tank and in general insufficiency of the water-spread as originally determined by the Tank Restoration Scheme Part and registered as

such for each tank" See Krishnaswami (1947), p 438

4 See Krishnaswami (1947), p 443

5 "Many of the tanks have been impounding silt for centuries and have lost very considerable proportions of their original capacities to the great injury of the crops under them No effective remedy for this has been discovered and the problem is one in which becomes increasingly serious as time goes on See Col Ellis (1955)

6 This is a part of the large survey carried out by A Vaidyanathan and the present author The study was on Management of Irrigation and Its Effect on Productivity under Different Environmental and Technical Conditions' The project was funded by the Union Planning Commission government of India

7 For further details see Vaidyanathan and Janakarajan (undated)

8 For a detailed discussion on traditional irrigation systems and their obligations see Coward (1980b) Vaidyanathan (1985)

9 See also Vaidyanathan (1985)

10 There is another such big tank called Dusi Mamandur tank which we selected for the preliminary survey The ayacut of this tank is about 4,200 acres spread over 18 villages Like that of Kaveripakkam tank Irrigation Board exists in this tank also and functions in an organised manner

11 See also Narayana et al (1982) and Rajagopal (1990)

12 See Krishnaswami (1947) p 443

13 See also MIDS (1983)

14 See also for transformation that have taken place in rural North Arcot District Bandara (1977), Chinnappa (1977) Harriss (1982) Janakarajan (1986)

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Watershed Development
A Contrast with NREP/JRY

Kanchan Chopra
Gopal K Kadekodi

Wasteland and watershed development programmes while creating employment an asset for local population are designed basically to take advantage of the natural capacity for regeneration inherent in a biomass system The paper makes an assessment of the implications of IRDP NREP versus the land and water related programmes for employment generation and natural capital regeneration asset creation and environmental conservation

TARGET ORIENTED interventions to alleviate poverty have been the focal points in the Indian decentralised plans in the 80s The object has been to provide assistance to the poor by way of asset creation or wage income through employment Integrated Rural Development Programmes (IRDP) and National Rural Employment Programmes (NREP) were the earliest schemes in this direction In the late 80s the Jawahar Rozgar Yojana (JRY) was added to the list of such programmes The concept of agro climatic regional planning also emerged around this period Afforestation through social forestry watershed and wasteland development programmes focusing on land and water management were stepped up in a number of different regions Such programmes also resulted in creation of employment and assets while augmenting the quality of land and biomass generated therein This paper aims at making an assessment of the implications of IRDP/NREP versus these land and water related programmes for employment generation asset creation and environmental conservation

The NREP JRY kind of intervention emphasises on employment and assets and its impact on environmental regeneration is only an afterthought The consequent long run impact on livelihoods is limited Wasteland and watershed development programmes on the other hand while creating some employment and assets for the local population are designed basically to take advantage of the natural capacity for regeneration inherent in a biomass based system The question which then arises is one of analytically characterising and empirically verifying the short and long run gains from these alternative rural development strategies

The rural development programmes of the government of India can be classified into (1) those that are directed towards asset and employment creation such as IRDP, JRY DPAP DDP (2) those that are designed to remove structural impediments to development such as the land reforms and marketing schemes and (3) those that are of an enabling kind i e TRYSEM and other training oriented programmes The first set of programmes accounts for the larger part of the outlay incurred by the Ministry of Rural Development The focus of the IRDP has been on credit for private assets for disadvantaged people[1] A variety of assets have been identified qualifying under the scheme JRY on the other hand has a focus on community assets including those that stress land and water development social forestry and soil conservation The aspects were also being focused on under the NREP and RLEGP in the 80s and the Drought Prone Area Programme and Desert Development Programme that have existed since 1973 It is to be noted however that the emphasis has shifted from privately owned assets to community assets

In the 70s watershed development was primarily the concern of the Indian Council of Agricultural Research (ICAR) A number of pilot projects were carried out at its regional centres with a focus on specific scientific experiments with respect to watershed characteristics It was only in the early 80s when issues of land degradation became significant that the watershed was conceived of as a planning unit Some pilot projects such as Sukhomajri in Haryana became significant as development interventions Thus watershed management as a feasible policy of land and water management came into its own The emphasis laid by the National Watershed Development Board on wasteland development on the basis of integrated regional planning and the notion of micro planning in different agro climatic zones gave further fillip to the concept of watershed development

NREP AND JRY

The NREP was launched in October 1980 (as part of Sixth Plan programme) and became a regular plan programme from April 1981 The programme was expected to generate additional gainful employment in rural areas to the extent of 300-400 million mandays per annum create durable community assets and improve nutritional status and living standards of the poor As compared with the Food for Work Programme creation of durable public assets was the real distinguishing feature of the NREP During the Seventh Plan the broad objectives of the programme remained the same as in the Sixth Plan NREP was to be implemented as a centrally sponsored scheme on a 50:50 sharing basis between the centre and the states

The programme had a substantial impact in terms of stabilising wages in the rural areas containing prices of foodgrains and creating a wide variety of community assets which helped in raising the levels of living of the rural population

Some specific features were built into the NREP as implemented during the Seventh Plan Wage paid under the programme was to be at par with the minimum agricultural wage prescribed for the area The quantum of foodgrains as part of the wage should be such as to be adequate for the family's needs in any case the foodgrain component should not exceed 2 kg per head per day In order to ensure that benefits of this programme reached the weaker sections of the society at least 10 per cent of the allocation under the programme was to be earmarked for utilisation exclusively on programmes of direct benefit to scheduled castes e g drinking water wells environmental improvement works in harijan localities and housing for them Another fraction of at least 10 per cent of allocation under the programme was to be specially earmarked for utilisation on programmes of social forestry and energy plantations Even with these specifications, the NREP continued to be a programme for income and asset generation with limited focus on distributional and environmental aspects Table 1 gives the expenditure, employment and assets created in NREP programme between 1985 86 and 1989 90

From April 1989 the two employment programmes in operation (i e the NREP and the RLEGP) were merged together into a single rural employment programme known as Jawahar Rozgar Yojana While the range of assets that can be created under JRY continued to be somewhat similar to that under NREP preference was to be given to (a) works having potential of maximum direct and continuing benefit to the members of the poverty groups and (b) assets which were or could be owned by or are assigned to groups of beneficiaries High priority was to be given to infrastructural works which were required for poverty alleviation programmes

It is to be noted that social forestry, tree plantation, soil conservation works, construction of village tanks and such other natural capital augmenting works have been a part of both NREP and JRY schemes Community asset creation, significant in its own right, constitutes the rest of the programme. In addition to this, augmentation of natural capital based infrastructure is also undertaken under the DPAP and the DDP The DPAP is under implementation in 615 blocks in 91 districts and the DDP in 131 blocks in 21 districts This is a programme focused on degraded environments and watershed developments The core components of the programme are soil and land development, water resources and moisture conservation and development, afforestation and pasture development Expenditure provided under these two programmes in 1991-92 was Rs 111 crore for 112 districts or approximately Rs 1 crore per district In land and water resources development, achievement has been only about 29 61 per cent and 23 41 per cent of target in DPAP and 40 09 per cent and 45 07 per cent of target in DDP programmes respectively [2] Afforestation has fared better with 65 19 per cent of target achieved under DPAP and 102 04 per cent under DDP

In sum, programmes of rural development also have given attention to building up of natural capital They have had, however, limited impact even in terms of area covered Further, there have existed problems of the effectiveness of coverage, as pointed out in several evaluation studies [3] It shall be argued in this paper that this is due to the lack of integration between generation of livelihoods and augmentation of ecologically degraded environments Such integration can only be achieved if the linkages between livelihoods and improved environments are understood in the context of ecological entities such as watersheds or categories of wasteland

Programmes of Waste Land and Watershed Development

The focus of programmes of wasteland and watershed development is different from that of NREP or JRY Here the starting point is the existence of degraded land of different kinds and in different agro-climatic contexts Degraded land together with its water and biomass resource is the base from where an income, asset and environment regeneration programme begins

Soil and water conservation programmes for degraded land have existed in India on a limited scale Till the end of the Sixth Five Year Plan (1983 84), nearly Rs 8,616 million had been spent on improvement of about 25 8 million hectares of the land with various soil and water conservation measures In the earliest phases, such programmes were confined to the improvement of agricultural lands and contour bunding was the main activity. It was only after the mid-80s that the concept of integrated land-use planning was introduced and with it came the realisation that such development should involve both common and private lands [4]

Such programmes gained momentum after some estimates of extent of wastelands in the country were made by the National Wasteland Development Board (NWDB) in 1985. One of the principal objectives of the Board was to identify wastelands in the country and to create reliable data base and documentation of wasteland development This was done at two levels The NWDB set up a task force which carried out a classification of various kinds of wastelands Second

Table 1 Performance of NREP 1985 86 to 1988 89

S No	Item	Units	Year 1985 86	1986 87	1987 88	1988 89
I	Funds utilised	Lakh Rs	53,195	71,777	78 831	90,184
II	(a) Employment generated	Lakh mandays	3,165	3,954	3 708	3,950
	(b) Expenditure	Per manday of employment (Rs)	16 81	18 15	21 26	22 83
III	Assets created					
	1 Area covered under social forestry	Lakh hects	1 16	2 18	1 67	1 50
	2 Trees planted	Crore	42 46	70 10	43 97	46 19
	3 Works benefiting SC/STs	Lakh No	0 90	1 24	1 50	1 75
	4 Construction of village tanks	Lakh Nos	0 05	0 06	0 07	0 05
	5 Area benefiting through minor irrigation and flood protection	Lakh hect	0 45	0 55	0 47	0 67
	6 Construction of wells under Million Wells Scheme	Lakh Nos				0 12
	7 Area under soil conservation works	Lakh hects	0 16	0 03	0 09	0 12
	8 Drinking water wells, ponds etc	Lakh No	0 71	0 17	0 41	0 38
	9 Rural roads	Lakh kms	0 63	0 39	0 38	0 45
	10 School building balwadi, panchayat	Lakh Nos	0 51	0 28	0 38	0 27
	11 Other works	Lakh Nos	1 00	1 46	1 69	1 95

Source Government of India Ministry of Rural Development Annual Report 1989 90

Table 2 Performance of JRY 1989 90 to 1991 92

S No	Item	Units	Year 1989 90	1990 91	1991 92
I	Funds utilised	Lakh Rs	2 45 854	2 58 648	2,74 198
II	(a) Employment generated	Lakh mandays	8,644	8,742	4,064
	(b) Expenditure	Per manday of employment (Rs)	28 44	29 62	67 47
III	Assets created				
	1 Area covered under social forestry	Lakh hect	1 18	2 44	0 46
	2 Trees planted	Crore	29 1	20 6	7 22
	3 Works benefiting SC/STs	Lakh Nos	4 88	3 76	2 21
	4 Soil conservation works	Lakh hects	0 43	0 16	0 07
	5 Construction of village tanks	Lakh Nos	0 20	0 11	0 02
	6 Land development	Lakh hects	0 13	0 12	0 05
	7 Drinking water wells ponds	Lakh Nos	1 54	0 73	0 18
	8 Rural roads	Lakh kms	1 80	1 30	0 33
	9 School buildings	Lakh Nos	0 34	0 36	0 09
	10 Development of houses	Lakh Nos	0 09	0 12	0 04
	11 Construction of houses	Lakh Nos	0 58	0 75	0 21
	12 Panchayat ghars	Lakh Nos	0 09	0 11	0 02
	13 Mahila Mandals	Lakh Nos	1620	1477	319
	14 Sanitary latrines	Lakh Nos	0 34	0 32	0 06
	15 Construction of wells under Million Wells Scheme	Lakh Nos	0 87	0 56	1 10
	16 Houses under IAY	Lakh Nos	1 82	1 70	1 21
	17 Other works	Lakh Nos	2 13	1 96	0 57

Source Government of India, Ministry of Rural Development Annual Report 1991 92

[illegible] identified. Wasteland in the country was estimated at 129.58 million hectares with 93.69 million hectares being non forest wasteland

The ecological characteristics of the land base of the economy were spelt out further when the NWDB undertook intensive classification of different kinds of wastelands in 146 districts identified as having more than 15 per cent of area as wasteland Thirteen categories of wasteland were identified and it was seen that the nature of degradation varied substantially across states and agro climatic zones About 60 per cent of the total degraded land was found to exist in the large- and semi-arid tracts of central, Eastern and southern India Most of this land was part of the categories of 'degraded forests and 'upland with or without scrub' Alkaline and saline land existed in the coastal areas of Gujarat and in parts of the middle and trans-Gangetic plains The Himalayan foothills were affected mainly by soil erosion caused by water runoff, and the western dry region mainly by wind erosion Table 3 shows nature and spread of wasteland by agro-climatic zones

Since 1989, an integrated view of waste land development as a people's activity has been taken Wasteland development in this perspective focuses on afforestation, simultaneous creation of assets such as tanks, check dams, water distribution systems, and adoption of soil and moisture conservation methods The objective is to bring land back to its optimal level of biomass production The nature of the assets required to ensure such revival of wasteland would necessarily depend on the kinds of wasteland as also the property rights existing thereon This integrated perspective increases the potential for employment Ecological linkages crucial for such an integrated view differ according to the nature of the wasteland The categories 'upland with and without scrub' and 'degraded forests' are usually found in watersheds spread over different parts of the country

Wasteland development in many areas takes the form of watershed development programmes The programme here is focused on the watershed, an ecological unit comprising the entire land area draining into a common region.[5] The focus on watershed development enables a common linkage to be made between the somewhat disjointed development interventions in the area of soil and water conservation and wasteland development It also links such interventions with an ecological view of the constraints on development by taking into account the water and land availability in the watershed In this context, it is important to note that the agro climatic regional planning approach of the Planning Commission has identified the east, central, west and southern plateau and the Gujarat plains as the regions where integrated watershed development is the relevant strategy

Meanwhile, a number of watershed projects have been implemented both under different schemes of state and central governments and by different non government agencies Table 4 gives coverage, expenditure, employment and asset creation in some of these projects Rates of return where available and other effects are also tabulated The table reveals that each project has its own pattern of asset creation and consequently cost and benefit flows As a category of development intervention, therefore, such projects do not fall into a strait jacketed pattern[6] Location determines the nature of the project Assets created are usually rain water harvesting ponds, check-dams, contour bunds, fuelwood and fodder plantations The type of assets differ according to whether the project is located in a water scarce, moderate rainfall or an assured rainfall zone. All assets are, however, natural capital augmenting Their creation also results simultaneously in employment, increased cropping intensity and increased yield per hectare It is found that cropping intensity increases by about 15 per cent, and yield by about three to four quintals per hectare Soil losses are reduced substantially, ground water availability is augmented and a better green cover is provided for land, both by afforestation and natural regeneration

The second round effects of the initial benefits are reflected in the spread of activities such as basket- and rope making, marketing of fruit and medicinal products, livestock development made possible due to the better output of fodder and grass from common lands so on In the emergence of these effects of watershed project however, the existence or otherwise of people's participation is an important factor and the total impact of the project differs according to the extent of CPR and PPR linkages. Projects such as Ralegaon Sidhi, villages of Palamau and Sukhomajri which have witnessed the best effects have been characterised by the presence of a high degree of people's involvement

NREP versus Watershed Management Programmes

The question that arises when a development intervention is being planned is: how would watershed management programme compare with the alternative of an NREP-IRY kind of programme that creates employment and assets and in consequential increases in present and future incomes. The watershed management programme has an additional potential that of creating the possibility of a regeneration of natural capital The question is framed in an analytical framework The following symbols are used in developing the model:

Let X — One time finance for a programme.

α β — Consumption component of X under the watershed and NREP programmes respectively They account for immediate wage income from the programme, treated synonymously as consumption.

θ_w, θ_n — Incremental capital output ratios under the two programmes. These represent the potential of income generation through asset creation.

d — Social rate of discount

Table 3 Nature and Spread of Degraded Land and in India by Agro Climatic Regions

Zone	Wasteland* (Lakh Hectares)	Major Forms of Degradation
Western Himalayan region	11 98616	Barren, rocky snow covered land
Eastern Himalayan region	16 02506	Shifting cultivation, degraded forest land
Lower Gangetic plains	1 22877	Upland (with or without scrub, degraded forest land
Middle Gangetic plains	3 44156	Degraded forest land, land affected by alkalinity salinity
Upper Gangetic plains	6 9371	Alkalinity, salinity, gullied, ravinous land and waterlogged
Trans Gangetic plains	1 430	Degraded pastures, upland with or without scrub
Eastern plateau	19 32150	Degraded forests, upland with or without scrub
Central plateau	41 28376	Upland with or without scrub, degraded forests
Western plateau	33 87416	Upland with or without scrub, degraded forests
Southern plateau	45 15793	Alkaline, saline land, upland with or without scrub
East coast plains	21 71539	Upland with or without scrub, degraded forest
Western plains and ghat	9 82109	Upland with or without scrub, degraded forests
Gujarat plains and hill region	16 22527	Upland with or without scrub, alkaline, saline land
Western dry region	0 98098	Sands, deserts, upland with or without scrub, degraded pastures
	235 4612 or	(23 546 million hectares)

Source Compiled from National Wasteland Development Board (1987)

* Based on 146-district data only, identified as having more than 15 per cent of geographical area as wasteland

NOTIFICATION

Lok Jumbish Project has been started in Rajasthan for providing basic education to all by the year 2000 through the process of peoples movement involvement and upgradation of capability of teachers and improvement of quality of primary education Applications are invited for the following posts at headquarters of **Lok Jumbish Parishad**, an autonomous and independent body located at Jaipur

S. No	Designation of post and indicative scale of pay	Eligibility and qualifications
1	**Deputy Director/Academic Fellow** Scale 3200 4625/3700 5700 (two posts at headquarters) These officers will be responsible for programmes such as training/nonformal education/curriculum development as well as for implementation of the project in the field	Permanent employees of Education Departments of Govt of India or Govt of Rajasthan or any Govt or non Govt educational Institution or a University in minimum scale of pay of 2650 4500/3000 5000 with sound knowledge of principles and practices and interest in teacher education/ educational research/primary education/nonformal education with a minimum of 7 years experience of teaching/educational administration
2	**Coordinator, Women's development** Scale 3200 4625/3700 5700 (one post at headquarters) This officer will be responsible for women's development programme and for implementation of Lok Jumbish Project in the field	(1) Permanent employees of Education Departments or Departments dealing with Women s Development of Govt of India or Govt of Rajasthan or any Govt or non Govt educational institution or a University in minimum scale of pay of Rs 2600 4500/3000 5000 with sound knowledge of principles and practices in Women s Development and basic education with a minimum of 7 years experience in teaching/education administration/ women s development (2) Persons with experience of work in voluntary agencies or autonomous organisations with experience referred to at (2) above with minimum of 7 years experience at senior responsible level Selected persons will be appointed on a contract basis on a consolidated pay which will be determined on the basis of experience and qualifications and would be between 5000 7000 p m
3	**Academic Officer/Associate Academic Fellow.** Scale 2600 4500/3000 5000 (two posts at headquarters) These officers will have role at responsible level in academic programmes and implementation of Lok Jumbish Project in the field	(1) Permanant employees of Education Departments of Govt of India or Govt of Rajasthan or any Government or non government educational institution or a university in minimum scale of pay of 2000 3500/2200 4000 with sound knowledge of principles and practices in basic education/ educational research/women's development/teacher education etc with minimum of 5 years experience in teaching/educational administration/ women development (2) Persons with experience at responsible level in voluntary agencies or autonomous organisations of at least 5 years in areas referred to at (1) Selected persons will be appointed on a contract basis on a consolidated pay wich will be derermined on the basis of experience qualifications and would be between 4500 6500 p m

PAY FIXATION

Scales of pay given in column No 2 are indicative Suitable candidates may be considered for higher scale of pay Persons coming from Govt service, autonomous bodies and educational institutions may opt

for fixation under Rajasthan Service Rules in the indicative scale of pay or

for promotion to the next higher post in their respective service rules, in which case their pay will be fixed according to relevant provisions of Rajasthan Service Rules or

to retain their scale of pay with deputation allowance according to Rajasthan Service Rules

CONDITIONS OF APPOINTMENT .

1. The maximum age limit for posts in categories 1 and 2 is 50 years and in category 3 45 years
2. For the present all appointments will be till the end of may, 1994 Decision regarding further extension will be made in March 94
3. Notwithstanding 2 above, Lok Jumbish Parishad reserves the right to terminate contract/deputation on a month's notice
4. The special benefit of promotion pay fixation etc is confined to the duration of appointment in Lok Jumbish Parishad
5. If a selected person receives promotion or increase in pay on the post on which he holds lien corresponding benefit will be given to him in Lok Jumbish Parishad
6. All applicants should send their applications through their Heads of Departments or Head of the Institutions
7. While making applications information should be furnished regarding 1 post applied for, 2 Name, 3 Father's/Husband's name, 4 Date of birth, 5 SC/ST if applicable, 6 Educational qualifications, 7 Present scale of pay and place of posting, 8 Date since present scale is drawn, 9 Date of appointment, 10 Postal address 11 Signatures on application with date, 12 Forwarding remarks of Head of Department/Institution
8. Application should be received in the office of **Project Director, Lok Jumbish Parishad, P. O. Box No. 411 GPO, Jaipur** within 21 days of publication of this notification

Project Director Jan

S(t) : Stock of natural capital at time (t).
Ṡ : Rate of regeneration or depletion of natural capital depending upon its sign

The two kinds of interventions for poverty alleviation being considered here result in consumption benefits, both at the present and in future. Income generation is synonymous to consumption benefit, since the savings rate of the poverty class is zero. The present value of these can be represented by

$$\alpha X + \int_{t=0}^{\infty} (1-\alpha)\frac{X}{\theta_w} e^{-\delta t}\, dt - X\left[\alpha + \frac{(1-\alpha)}{\delta}\frac{}{\theta_w}\right] \quad (1)$$

for watershed programme

and $$\beta x + \int_{t=0}^{\infty} (1-\beta)\frac{X}{\theta_n} e^{-\delta t}\, dt \quad x\left[\beta + \frac{(1-\beta)}{\delta}\frac{}{\theta_n}\right] \quad (2)$$

for NREP programme

It can be easily seen that the two income benefit streams are identical as long as the ICORs are equal and exactly equal to the inverse of the discount rate δ. On the other hand, if the ICOR under watershed programme is lower than $1/\delta$ and that under NREP is equal or higher than $1/\delta$, then the present value income benefits under watershed programme is always higher. The reverse will be the case if ICOR under watershed programme is higher than $1/\delta$ and that under NREP lower or equal to $1/\delta$.[7]

It is known, however, as discussed in Section III that watershed development programmes are crucially different from other interventions in that they create the conditions for regenerating the natural system which is then a source of future consumption benefits. A third component of benefits accruing from such programmes is therefore the saving in investment funds which would otherwise be required to reach the same level of consumption in future. The regeneration rate of natural capital under the watershed programme is specified as

$$\dot{S} = dS(t)\,[1 - S(t)/K],$$

where k is a constant (3)

Equation (3) implies that regeneration of the natural system, once it begins, perhaps with the catalyst provided by watershed management, follows a logistic growth path.[8] The rate of growth of the resource stock is positive at first, reaches a maximum and then declines as the stock gets bigger. The maximum is reached when S(t) = K/2 at an infinite time, which is perceived as the carrying capacity of the environment. The initial value of this stock is set to be $K/(1+B)$.

We assume that the initial investment of X would take the village economy from a low level of natural capital S(o) to its full carrying capacity K. In a sense $X/[K - S(o)] = X(1+B)/KB$ is an average rate of investment to reach K starting from S(o) following the regeneration path given by equation (3). In the absence of such an initial investment X, the alternative would be to keep on investing every year so as to arrest degradation of natural capital reaching below S(o).

Regenerated natural capital through watershed approach is, in other words, a substitute for future investment in man-made capital or other asset creation to provide income to rural poor. The present value of saving of investable resources attributable to this third component can be approximated as

$$\int \left[\frac{\dot{S}}{K - S(o)}\right] S(t)\, e^{-\delta t}\, dt \quad (4)$$

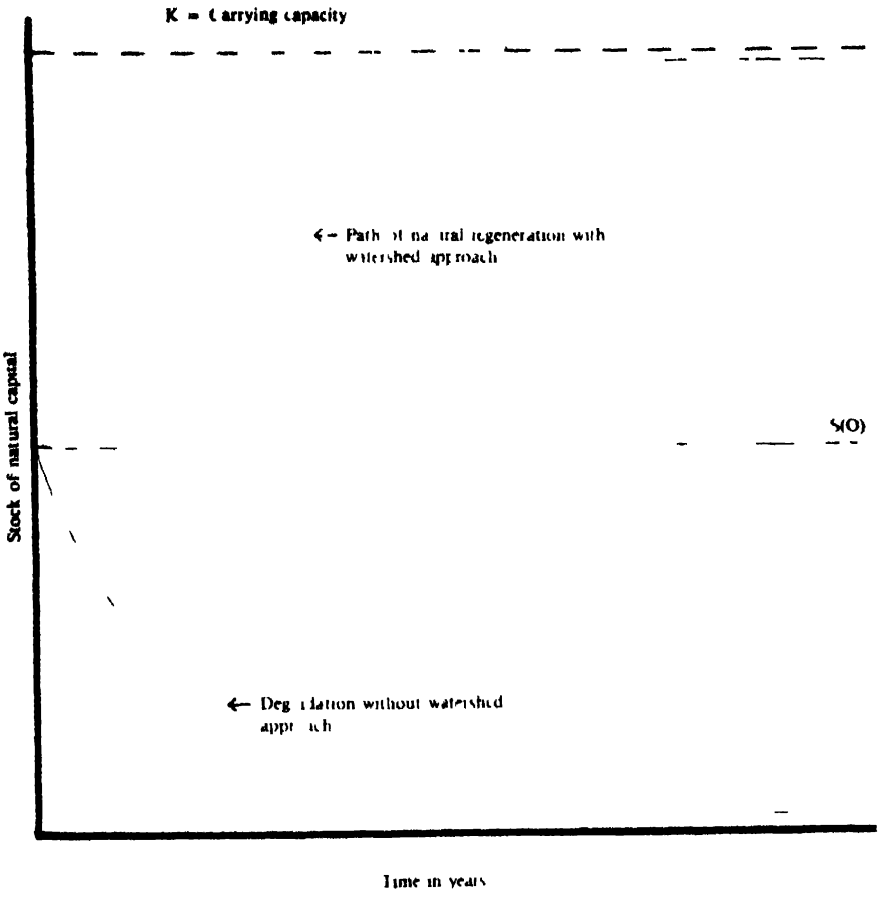
TABLE 5 PROSPECTS OF GAINS FROM WATERSHED PROGRAMME

B	k	S(o)	Present value savings from investing on natural capital in future attributed to watershed programme	Comments
0.25			31.73	For increased natural capital gap B, the savings from what would have been spent on regeneration decreases and at some high level of the gap, it even becomes negative, thereby measuring, actually increasing costs to regenerate
0.50			6.16	
0.75			2.23	
1.00			1.00	
1.25			0.48	
1.50			0.22	
1.75			0.07	
2			0.02	
3			0.15	
4			0.18	
5			0.18	

TABLE 4 LAND AND WATER DEVELOPMENT PROJECTS

Sl No	Name and Location of Project	Source	Nature of Project	Investment Cost Per Hectare Rs	Return Gross or Net (Rs Per Hectare)	Remarks Impact
1	Jalgaon (Maharashtra)	Saksena (1989)	Water reservoir		3,900 to 5,000	B/c ratio 1.28 IRR 12.33
2	Ahmednagar (Maharashtra)	Nawadkar and Shaikh (1989)	Landshaping, contour bunding, moisture conservation		2,455	B/c ratio 1.03 increase in net sown area of 14 per cent
3	Ralegaon Sidhi (Maharashtra)	Patil (1988) Alagh (1990)	Nala bunding, contour bunding, tanks	9,689		Increase in yield of jowar 100 per cent, bajra 50 per cent, drinking water available within 100-150 metres of each household
4	Naigaon (Maharashtra)	Datye (1988) Alagh (1990)	Percolation tank storage	11 364	212	Increase in yield of 7.25 quintals from a base of 1.2 quintals
5	Tejpura (MP)	SPWD (1988)	Watershed development	4,246	3 764	Doubling of bajra and jowar yields 70 cross bred cattle plan for 2 lakh trees
6	Kolar (Karnataka)	Singh, K (1989)	Bunds graded contours farm ponds		1,970	Increase in yield of groundnut, figermillet pigeon pea
7	Sukhomajri (Haryana)	Chopra Kadekodi and Murty (1990)	Rainwater harvesting afforestation	22 221	7,979	Benefits to villages and to government IRR of 19 per cent
8	Kandi (Punjab)	Singh and Singh (1991)	Livestock development soil conservation, afforestation			Overall rate of return 12.57 per cent rate of to forestry 15.3 per cent
9	Samithed (Rajasthan)	SPWD (1988) Alagh (1990)	Afforestation cattle grazing	1 500		Returns in terms of plantation rise in water table and fodder in 312 acres of land 78,000 samplings planted
10	Sikanderpur and Kotpurva	Singh and Bajaj (1988)	Usar reclamation project	11 220		255 days of grain requirement for a family plus 400 days of fodder for a pair of animals

Note The details regarding sources of these studies are listed under references



Using the expression (3) for S(t) this saving can be deduced as

$$\frac{X}{B}\,[B - (1+B)\log B] \qquad (5)$$

The total gain under the watershed approach would then be the direct income benefits under expression (1) plus the social natural capital gain in expression (5). As long as the present value total gain under watershed approach is at least as great as that under an NREP programme, the former approach is worth considering to replicate in different regions in the country.

Is watershed programme universally relevant? It depends upon its regenerative potential. The savings of investment cost on natural capital regeneration attributable to watershed management, as shown in expression (5) depends upon the gap between the carrying capacity k and the current state of natural capital S(o). For higher is this gap, lower will be the savings in this investment cost, as can be seen from Table 5.

As can be seen from Table 5 for a critical, i.e, disastrous natural resource degradation, the watershed approach may not be the most suitable option. But, for marginally degraded hilly tracts and forest slopes, the watershed management with employment and empowerment can become a more viable option.

Conventional JRY/NREP type of rural development interventions are based on the principle of adding to assets or incomes. Watershed management programmes and natural resource base augmenting development interventions which are designed to result in savings and investments as future interventions. This is the essence of self sustaining strategies based on augmentation of natural capital. The present paper argues that, if natural capital regeneration follows a logistic path there exists a set of conditions under which the latter kind of intervention is preferable. It appears that marginally degraded areas would benefit more from them in terms of saving in future investments and attaining their potential biomass and its sustenance. More heavily degraded areas may require a different, perhaps multi dimensional and multi-disciplinary strategy.

It is worthwhile, in this context, to examine the agro-climatic regional planning approach. Large tracts in the arid- and semi-arid regions of the country have been identified as appropriate for an integrated watershed management approach. In the eastern plateau region, for instance, 105 thousand hectares have been set apart for such an approach.[9] The approach suggested in this paper requires a further ranking between sub regions in this zone in terms of degree of degradation. Such a ranking would help in identification of less degraded areas where investment in natural capital augmenting sustaining growth. Alternatively, more degraded regions require either conventional kind of JRY/NREP programmes on a continual basis or major afforestation and soil conservation programmes as specific forestry and land management options.

Notes

1 Of the outlay of Rs 3,508 crore in 1991-92 Rs 2,108 crore were for IRY, Rs 390.40 crore on IRDP and Rs 1.111 crore on the DPAP and DDP programmes.

2 See Annexure XXXII of Annual Report of Ministry of Rural Development 1991-92.

3 See Dantwala (1985), Dreze (1990) Hirway (1985) Mahendra Dev (1990) PEO (1985) C H H Rao and P Rangaswamy (1988) RBI (1984) Subba Rao (1985) and IIMR (1984).

4 Number of Studies have shown the logical need to link CPR and PPR activities. See for example Chopra and Kadekodi (1990).

5 For a detailed description of watershed regional characteristics see Rajagopalan (1991).

6 For a review of these programmes see Dhravanarayana and Sastry (1990).

7 If the ICORs are not the same in the two programmes then also it is possible for the two income streams to be equal for some combinations of α and β. This will happen for infinitely many combinations of θ_w, θ_n, α and β.

8 Using equation (3) an expression for S(t) can be deduced as $S(t) = \frac{k}{1+\beta e^{-rt}}$ which is a logistic growth path for the natural capital where $\beta = (k - S(o))/S(o)$.

9 See Alagh (1990) for the details. The eastern plateau and hill region consists of 10 districts of Orissa, nine in Madhya Pradesh, 11 in Bihar and three in Maharashtra.

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THE SAKURA BANK, LIMITED

(Formerly known as THE MITSUI TAIYO KOBE BANK, LIMITED)

(Incorporated in Japan with Limited Liability)

BOMBAY BRANCH

BALANCE SHEET AS AT 31ST MARCH, 1993

(000's omitted)

	Schedule	As on 31.03.93 Rs.	As on 31.03.92 Rs.
CAPITAL AND LIABILITIES			
Capital	1	–	–
Reserves and Surplus	2	109,033	56,379
Deposits	3	1,762,542	1,089,378
Borrowings	4	-	519
Other Liabilities and Provisions	5	128,852	66,147
TOTAL		2,001,027	1,212,423
ASSETS			
Cash and balances with Reserve Bank of India	6	261,991	126,625
Balances with banks and money at call and short notice	7	202,345	2,207
Investments	8	568,477	376,772
Advances	9	852,187	625,646
Fixed Assets	10	42,197	46,418
Other Assets	11	73,830	34,755
TOTAL		2,001,027	1,212,423
Contingent Liabilities	12	702,284	585,427
Bills for Collection		130,287	248,357
Notes to Accounts	17		

Notes and Schedules to the accounts form an integral part of the Balance Sheet.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1993

(000's omitted)

	Schedule	Year Ended 31.03.93 Rs.	Year Ended 31.03.92 Rs.
I. INCOME			
Interest earned	13	240,243	164,952
Other Income	14	26,052	29,398
TOTAL		266,295	194,350
II. EXPENDITURE			
Interest expended	15	99,034	73,472
Operating expenses	16	19,476	18,869
Provisions and contingencies		94,531	63,556
TOTAL		213,041	155,897
III. PROFIT/LOSS			
Net profit/Loss (–) for the year		53,254	38,453
Profit/Loss (–)		38,217	45,184
TOTAL		91,471	83,637
IV. APPROPRIATIONS			
Transfer to statutory reserves		10,651	7,691
Transferred to Head Office		–	37,729
Balance carried over to balance sheet		80,820	38,217
TOTAL		91,471	83,637
Notes to Accounts	17		

Notes and Schedules to the accounts form an integral part of Profit and Loss Account

As Per Our Report of Even Date Attached
For P. C. HANSOTIA & CO.
Chartered Accountants
Sd/-
(Ravi H. Vazirani)
Partner
BOMBAY
Dated: June 30, 1993

For THE SAKURA BANK, LTD.
Sd/-
(S. Yamamoto)
General Manager
&
Chief Executive Officer in India

THE SAKURA BANK, LIMITED

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SCHEDULES TO BALANCE SHEET

(000's omitted)

	As on 31.03.93 Rs.	As on 31.03.92 Rs
Schedule 1—Capital		
Nominal Value of Securities Deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	30,000	21,000
Schedule 2—Reserves and Surplus		
I. Statutory Reserves		
Opening Balance	18,162	10,471
Additions during the year	10,651	7,691
II Balance in Profit and Loss Account	80,820	38,217
TOTAL (I and II)	109,633	56,379
Schedule 3—Deposits		
I Demand Deposits		
i) From Banks	75	2,259
ii) From Others	181,342	175,639
II Savings Bank Deposits	48,478	44,466
III. Term Deposits		
i) From Banks	–	
ii) From Others	1,532,647	867,014
TOTAL (I, II and III)	1,762,542	1,089,378
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	–	–
ii) Other Banks	–	–
iii) Other Institutions and Agencies	–	180
II. Borrowings outside India	–	339
TOTAL (I and II)	–	519
Secured borrowings included in I and II above—Rs. Nil		

(000's omitted)

	As on 31.03.93 Rs	As on 31.03.92 Rs
Schedule 5—Other Liabilities and Provisions		
I. Bills Payable	12,798	9,614
II Inter-Office Adjustments (net)	50,323	20,073
III. Interest Accrued	51,616	21,904
IV. Others (including Provisions)	14,115	14,556
TOTAL	128,852	66,147
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	1,058	1,786
II. Balances with Reserve Bank of India		
i) In Current Accounts	260,933	124,839
ii) In Other Accounts		–
TOTAL (I and II)	261,991	126,625
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balance with banks		
a) In Current Accounts	1,793	643
b) In Other Deposit Accounts	–	–
ii) Money at Call and Short Notice		
a) With banks		–
b) With other institutions	200,000	–
TOTAL (i and ii)	201,793	643
II. Outside India		
i) In Current Accounts	552	1,564
ii) In Other Deposit Accounts		–
iii) Money at Call and Short Notice		
TOTAL (i, ii and iii)	552	1,564
GRAND TOTAL (I and II)	202,345	2,207

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SCHEDULES TO BALANCE SHEET

(000's omitted)

	As on 31.03.93 Rs.	As on 31.03.92 Rs.
Schedule 8—Investments		
I. Investments in India in		
i) Government Securities	488,449	296,745
ii) Other approved Securities	77,920	77,920
iii) Shares	2,108	2,107
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Others (to be specified)	–	–
TOTAL	568,477	376,772
II. Investments outside India	Nil	Nil
GRAND TOTAL (I and II)	568,477	376,772
Schedule 9—Advances		
A. i) Bills purchased and Discounted	277,734	273,510
ii) Cash credits, overdrafts and loans repayable on demand	510,444	309,753
iii) Term loans	64,009	42,383
TOTAL	852,187	625,646
B. i) Secured by tangible assets	642,500	380,342
ii) Covered by Bank/ Government Guarantees	–	–
iii) Unsecured	209,687	245,304
TOTAL	852,187	625,646
C. I. Advances in India		
i) Priority Sectors	42,714	42,376
ii) Public Sector	–	–
iii) Banks	–	–
iv) Others	809,473	583,270
TOTAL	852,187	625,646
II. Advances outside India		
i) Due from banks	–	–
ii) Due from others	–	–
a) Bills purchased and discounted	–	–
b) Syndicated loans	–	–
c) Others	–	–
TOTAL	–	–
GRAND TOTAL (C. I and II)	852,187	625,646

(000's omitted)

	As on 31.03.93 Rs.	As on 31.03.92 Rs.
Schedule 10—Fixed Assets		
I. Premises		
At cost as on 31st March of the preceding year	48,038	48,038
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	(10,559)	(7,441)
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	12,100	12,403
Additions during the year	570	502
Deductions during the year	(480)	(805)
Depreciation to date	(7,472)	(6,279)
TOTAL	42,197	46,418
Schedule 11—Other Assets		
I. Inter-Office adjustments (net)	–	–
II. Interest accrued	55,153	25,217
III. Tax paid in advance/tax deducted at source	–	–
IV. Stationery and stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Others	18,677	9,538
TOTAL	73,830	34,755
Schedule 12—Contingent Liabilities		
I. Claims against the bank not acknowledged as debts	–	–
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding forward exchange contracts	237,533	41,693
IV. Guarantees given on behalf of constituents	149,986	145,510
V. Acceptances, endorsements and other obligations	287,110	398,224
VI. Liabilities on bills of exchange rediscounted	27,655	–
TOTAL	702,284	585,427

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SCHEDULES TO PROFIT AND LOSS ACCOUNT

(000's omitted)

	Year Ended 31 03 93 Rs	Year Ended 31 03 92 Rs
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	162,990	107,016
II Income on investments	52,349	34,340
III Interest on balances with Reserve Bank of India and other inter-bank funds	24,832	21,336
IV Others	72	2,260
TOTAL	240,243	164,952
Schedule 14—Other Income		
I Commission, exchange and brokerage	8,927	6,898
II Profit on sale of investments	-	
Less Loss on sale of investments		
III Profit on revaluation of investments		
Less Loss on revaluation of investments		-
IV Profit on sale of land, buildings and other assets	26	
Less Loss on sale of land, buildings and other assets	(238)	
V Profit on exchange transactions (Net)	14,598	13,313
VI Income earned by way of dividends etc., from subsidiaries/companies and/or joint ventures abroad/in India	-	-
VII Miscellaneous income	2,739	9,187
TOTAL	26,052	29,398
Schedule 15—Interest Expended		
I Interest on deposits	95,848	71,725
II Interest on Reserve Bank of India/inter-bank borrowings	1,045	1,225
III. Others	2,141	522
TOTAL	99,034	73,472

(000's omitted)

	Year Ended 31 03 93 Rs	Year Ended 31 03 92 Rs
Schedule 16- Operating Expenses		
I Payments to and provisions for employees	9,019	7,950
II Rent, taxes and lighting	1,108	1,160
III Printing and stationery	617	507
IV Advertisement and publicity	33	18
V Depreciation on bank's property	4,537	4,937
VI Directors' fees, allowances and expenses	7	6
VII Auditors' fees, and expenses (including branch auditors)	38	38
VIII Law charges	7	6
IX Postages, telegrams, telephones, etc.	344	572
X. Repairs and maintenance	660	594
XI Insurance	858	507
XII Other expenditure	2,248	2,574
TOTAL	19,476	18,869

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BOMBAY BRANCH

Schedule 17—Notes forming part of the accounts for the year ended 31st March, 1993.

Principal Accounting Policies

1 General
The accompanying financial statements have been prepared on historical cost basis and conform to the statutory provisions and practices prevailing in the country

2 a) Revenue Recognition
Items of income are generally accounted for on accrual basis
Expenditure are accounted on a cash basis except for Interest Payable, Bonus and Ex gratia

b) Net Profit
The net profit disclosed in the Profit and Loss Account is after
i) Provisions for Interest Tax and Income Tax in accordance with the Statutory requirements
ii) Provisions for doubtful advances
iii) Other usual and necessary provisions

c) Head Office Administrative Expenses
The branch has not debited Head Office Administrative expenditure to its Profit and Loss Account but has claimed the same for tax purposes

3 Transactions involving Foreign Exchange
i) Monetary assets and liabilities are translated at the exchange rates prevailing at the close of the year
ii) Income and Expenditure items are translated at the exchange rates ruling on the dates of the transactions
iii) In terms of FEDAI circular, Profit or Loss on pending forward contracts have been accounted for

4 Investments
i) In accordance with the guidelines issued by the Reserve Bank of India, the investments of the Bank have been bifurcated into "Permanent Investments" which are normally held upto the date of maturity and "Current Investments" which need not be held upto the date of maturity In respect of permanent investments the difference between the redemption value and cost of acquisition of investment will be accounted for as Profit/Loss in the year of redemption In respect of current investments, the same are valued at cost or market price whichever is lower
ii) The total market value of quoted investments (cost Rs 568,117, py 376,412) is Rs 578,476 (py 420,998)

5 Advances
i) Provision for doubtful advances have been made to the satisfaction of auditors based on guidelines issued by Reserve Bank of India in this respect
ii) The bank has not credited interest on advances classified as non performing to its income as specified in the guidelines issued by the Reserve Bank of India in this respect
iii) Provision in respect of doubtful advances have been made on a gross basis without considering tax relief Such provisions have been reduced from advances

6 Fixed Assets
i) Premises are stated at historical cost Other Fixed Assets are stated at original cost of acquisition including taxes, duties freight and other incidental expenses related to acquisition and installation of the concerned asset
ii) Fixed Assets are depreciated on the Reducing Balance Method over their estimated life as determined by the Management The rates of depreciation applied are higher than those prescribed in Schedule XIV of the Companies Act, 1956 except for computers for which the rate used is 36 9%

7 Staff Benefits
i) Gratuity and Superannuation Benefits
The Branch has availed of Group Gratuity Scheme with Life Insurance Corporation of India in respect of payment of gratuity to all employees other than expatriate employees and has also availed of Employees' Group Superannuation Scheme for providing pension benefits to its officers, other than expatriate officers
ii) The amount of bonus payable to its employees as per Payment of Bonus Act, 1965 and ex gratia is fully provided for and charged to the Profit and Loss Account

Notes forming part of the Accounts
Previous year's figures have been regrouped/rearranged, wherever necessary

Auditors' Report

We have audited the Balance Sheet of the Bombay Branch of The Sakura Bank, Limited (formerly known as The Mitsui Taiyo Kobe Bank, Limited) as at 31st March, 1993, signed by us under reference to this report, and the relative Profit and Loss Account of the Bombay Branch of the Bank for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2), and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The accounts are, therefore, drawn up in conformity with Form 'A and B' of the Third Schedule to the Banking Regulation Act, 1949

We report that

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary, for the purpose of our audit and found them to be satisfactory,

(b) The transactions which have come to our notice have been, in our opinion, within the powers of the Bombay Branch of the Bank,

(c) In our opinion, proper books of accounts as required by law have been kept by the Bombay Branch so far as it appears from our examination of those books,

(d) The above mentioned Balance Sheet and Profit and Loss Account of the Bombay Branch of Bank dealt with by this report are in agreement with the books of account,

(e) In our opinion, and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for banking companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at March 31, 1993 and Profit and Loss Account gives a true and fair view of the Profit of the Bombay Branch for the year ended on that date.

For P C HANSOTIA & CO
Chartered Accountants
Sd/
(RAVI H VAZIRANI)
Partner

Bombay
Dated June 30, 1993

Economic Reform, Poverty and Migration in China

Peter Nolan

China under Mao tightly controlled inter-regional migration through population registration and the rationing systems. Since the early 1980s the extent of migration has increased enormously, so that China's migrant labour market increasingly resembles that of other large developing countries.

This article is a preliminary attempt to analyse this new phenomenon in post reform China.

> The equilibrium of rural poverty owes its intractability to the relationship of people to land—to a population so numerous and dense in relation to land resources that, even when all share equally in the product, all are poor. Succour of one sort or another was assumed to be the answer. The answer was, in fact, a mass escape from the area. However unpleasant, urban poverty is a less comprehensive and a less stable and intractable form of deprivation. Industrialisation and the associated urbanisation – the escape to urban employment – have not usually been thought as wholesome as remaining on the farm. In the prescription for human betterment there is no greater constant than the belief that poor people are better off if they remain very poor but in the fresh air. [Galbraith 1979, p 81]

CHINA's economic reforms since the mid-1970s have produced remarkable progress in reducing the number and proportion of people in poverty. However, there remains a large number of poor people concentrated in clearly identifiable regions. There are large problems in achieving further reductions in poverty at China's level of development. The Chinese government currently is re-thinking its strategy towards poverty reduction. In the 1980s its main focus was on reducing poverty by aiding impoverished areas to raise their level of development.[1] Indeed, the government body charged with the task of poverty reduction in poor areas was called the 'Leading Group for the Economic Development of Poor Areas'. Little attention was given to the contribution that migration out of poor areas might make to poverty reduction, and indeed, long distance migration often was discouraged.

This paper argues that out-migration has a potentially large role to play in reducing poverty, but considers that there are many special institutional barriers to migration in China. It points out that the effects of increased out-migration from poor areas are not all beneficial, and that careful attention needs to be paid to the negative aspects of a large increase in out migration. Moreover, it argues that much of the increased migration in China to date has occurred within relatively well off provinces so that the total impact of migration upon poor areas should not be exaggerated.

China under Mao tightly controlled inter regional migration through the population registration ('hukou') and the rationing systems. Since the early 1980s the extent of migration has increased enormously, so that China's migrant labour market increasingly resembles that of other large developing countries, though there are important country specific features. In trying to evaluate the implications for poor regions of this important development, this paper examines the following issues: (1) the impact of China's reforms upon the dimensions and location of poverty in China, (2) the contribution made by migration to poverty reduction in other places, (3) the supply of migrant labour, (4) the demand for migrant labour, and (5) the effect of migration upon regions from which migrants originate. Finally, it suggests some policy conclusions.

A proper study of this new phenomenon in post reform China is in its infancy and information on many crucial aspects does not yet exist, at least in the public domain. This article is a very preliminary attempt to analyse this phenomenon.

Chinese Economic Reforms and Poverty

The broad outlines of China's political economy since the death of Mao Zedong in 1976 are well known. In the sharpest contrast to the former centrally planned economies of eastern Europe and the USSR, the communist party in China (as well as in Vietnam, Laos, Burma and North Korea) was not overthrown. However, it did shift away from totalitarianism towards a more rational, secular and professional style of government, much closer to the authoritarianism of Taiwan or South Korea in the 1960s and 1970s. Under this strong nationalistic leadership the Chinese leadership put into place an experimental, gradual reform process, aptly described as 'touching stones to cross the river', in contrast to the 'one cut of the knife' strategy espoused by most reformers in eastern Europe and the former USSR, and by the vast body of advisors to the former socialist countries. Huge advances were made in introducing a competitive market economy. Rural land use was decollectivised, rural non farm enterprises shifted quickly to independent operation and profit seeking, big changes occurred in the management and organisation of state enterprises' assets. China was reintegrated into the world economy and a large proportion of prices had been freed by the early 1990s.

However, the vast bulk of industrial output still was produced in enterprises that were owned either by the state or by local communities. Farmland still was in local community ownership. The 'yuan' was still not convertible and importers faced a battery of controls. Planning continued to play a key role in resource allocation, with many key prices still set by the state. The state at the central and local level continued to obtain a large share of resources to use for common purposes. Concepts of 'fairness' ('gongping') continued to play an important role in national policy making. The Chinese government described its strategy as that of a 'socialist market economy'.

The most important criterion by which governments in all settings, but especially in poor countries, are judged by their own populations is their success in economic affairs, and particularly in providing employment and raising incomes. In the former communist countries in eastern Europe and in Russia, the reforms since 1989 have produced desperately poor short-term economic results. China's in-

incremental path produced outstanding economic advance over the course of a decade and a half [2] In the first decade or so of economic reform China outperformed almost all developing countries in terms of output growth and export performance (Table 1) Moreover compared both to most developing countries and to most of the reforming former Stalinist economies, it remained relatively unburdened by foreign debt and had achieved fast growth with relatively low inflation China's system of authoritarian political control enabled her, in contrast to most other developing countries, to be able to control population growth, despite the bulge in the reproducing age cohorts in the 1980s Moreover, despite aspects in which inequality increased sharply in the 1980s, China did well at raising the incomes of the poorest 40 per cent of the population This is reflected in the improvement in already extremely favourable 'basic needs' indicators (Table 1) The improvement in economic performance was achieved through a sharp improvement in overall economic efficiency, reflected in the fact that the growth of output was accompanied by an extraordinary surge in popular living standards in the 1980s (Table 2) China's economic performance in the 1980s was much better than that in the most relevant comparator country, namely, India, and was vastly better than virtually anyone in the late 1970s could have hoped Were east Europe and the former USSR to achieve comparable advances (beginning from a much higher base, of course) in the 1990s, their reforms would be regarded as immensely successful

A combination of trickle down from rapid growth and explicit government policy to assist poor regions produced a remarkable reduction in poverty in China in the post Mao period The World Bank has attempted to construct a constant poverty line for China from the late 1970s through to the late 1980s and estimates that the total number in poverty fell from around 270 million in the late 1970s to around 100 million only one decade later (Table 3)

Local studies such as Lyons on Fujian province confirm the huge achievement in the 1980s "[U]nless Fujian is grossly unrepresentative, China has indeed prosecuted a war on poverty of remarkable dimensions and certainly one deserving of greater attention than it has received to date" [Lyons 1992, p 64]

In sharp contrast, there is no doubt whatever that the dimensions of poverty in the former Soviet Union have increased sharply in only a short period since the late 1980s, as the former political system collapsed, national product fell precipitously, and, urged on by western advisors, policy makers attempted to make a 'leap' into a market economy [3] In India also there has been a rise in absolute poverty, the number growing from around 300 million in 1970/71 to almost 340 million in the late 1980s [Minhas 1991, p 1675]

However, the absolute numbers in poverty in China have declined little since the mid 1980s The main body of the remaining poor people in China are rural dwellers living far from the main centres of economic activity on the east coast According to the World Bank's calculations, in 1989 over 52 per cent of the poor people in China were located in two large regional concentrations in the north west (23 3 per cent) and in the south west (29 2 per cent) [World Bank 1992, p 37] The provinces with the highest proportions of poor people were Gansu (34 per cent), Qinghai (24 per cent), Inner Mongolia (24 per cent) Shaanxi (20 per cent), Yunnan (19 per cent), Xinjiang (19 per cent), Ningxia (19 per cent), Guizhou (18 per cent), Shanxi (17 per cent), and Henan (17 per cent) [World Bank 1992, p 37] None of these provinces was coastal, and most of them were in remote inland parts of China

The World Bank summarised the location of the remaining regional concentrations of poverty as follows "China's worst remaining poverty is concentrated in remote and mountainous areas where, in most instances, the arable land constraint is particularly severe, and limited transport, power and other rural infrastructure constrain development Minority peoples and members of households disadvantaged by illiteracy, ill health or other disabilities constitute a disproportionate share of these poor" [World Bank 1992, p 41]

Despite large increases in average income in China in the 1980s, and much evidence to show that even the poorest areas in China experienced considerable

TABLE 2 CHANGES IN STANDARD OF LIVING IN CHINA, 1978 89

	1978	1989
Index of real pc consumption	100	210
Consumption pc of		
Grain (kgs)	196	242
Edible oil (kgs)	1 6	5 4
Pork (kgs)	7 7	15 6
Fresh eggs (kgs)	2 0	6 0
Sugar (kgs)	3 4	5 4
Cloth (metres)	8 0	11 6
Ownership of consumer durables (no/100 people)		
Sewing machines	3 5	12 2
Watches	8 5	50 1
Bicycles	7 7	32 8
Radios	7 8	23 6
TVs	0 3	14 9
Housing space pc (sq metres)		
Cities	3 6	6 6
Villages	8 1	17 2

Source ZGTJZY 1990, pp 40-42

TABLE 1 COMPARATIVE ECONOMIC PERFORMANCE OF CHINESE ECONOMY IN THE 1980s

	China	India	Low Income Countries*	Middle Income Countries
Average growth rate 1980/89 (per cent)				
GDP	9 7	5 3	3 4	2 9
Agriculture	6 3	2 9	2 5	2 6
Industry	12 6	6 9	3 1	3 0
Services	9 3	6 5	4 4	2 8
Average annual real growth rate of xports, 1980/89 (per cent)	11 5	5 8	0 8	5 5
Average annual growth rate of population 1980/89 (per cent)	1 4	2 1	2 7	2 1
Average annual rate of inflation, 1980/89 (per cent)	5 8	7 7	14 9	73 0
Debt service as per cent of exports of goods and services 1980	4 6	9 1	11 4	26 1
1989	9 8	26 4	27 4	23 1
Index of average pc food consumption, 1987/89 (1979/81 = 100)	128	113	103	101
Daily calorie intake pc 1965	1931	2103	1960	2482
1988	2632	2104	2182	2834
Crude death rate (no/1000) 1965	10	20	21	13
1989	7	11	13	8
Infant mortality rate (no/1000) 1981	71	121	124	81
1989	30	95	94	51
Life expectancy at birth (years) 1981	67	52	50	60
1989	70	59	55	66

Note * Excluding India and China
Source World Bank 1983 and 1991

income growth [see e g, Nolan and Sender 1992, and Lyons 1992], growth rates of income in well located, mainly east coast regions were much faster than in other areas In the late 1980s there were large regional income differences (Table 4)

Income levels in the better-off east coast provinces such as Jiangsu and Zhejiang were more than double those in the most impoverished hinterland provinces, of which the poorest was Gansu in north west China (Table 4) Moreover, in the richest parts of these better-off provinces, incomes were much above the provincial average Average rural income in the suburbs of a city in a rich east coast province could be as much as 10 times that of an impoverished county in the hinterland (Table 4) However even within rich provinces there remained pockets of poverty For example, in rich coastal Jiangsu province the average per capita income of rural dwellers in the northern prefecture of Huiyin (population around 11 million) was only around two thirds of the provincial average, and around one third of that in the Shanghai suburbs (itself situated within the Jiangsu province, though administered separately) Moreover within that prefecture there were some counties, such as Shuyang (Table 4) (population 1 5 million), with income levels much below the average for the prefecture

Broadly speaking, it is much easier for a government to improve poor peoples' Physical Quality of Life Indicators (PQLI) than it is to raise their incomes The provision of improved health and education for poor people are relatively cheap and easy to provide compared to the complexity and expense of raising incomes for the poor In India, for example, the PQLI indicators have improved sharply since the 1960s,[4] alongside a rise in the number of people below the poverty line Most African countries have seen an improvement in their PQLI since the 1960s, alongside widespread declines in real per capita income In China also, building on the improvements of the Maoist period, levels of PQLI provision for poor people by the late 1980s were high for the level of income.[5] One consequence of this was that many poor areas had achieved relatively low death rates, but the lagging levels of income and employment had left birth rates and natural population growth much above the national average (Table 5)

Migration and Poverty in Other Contexts

Migration has played a major part in economic life of all economies undergoing economic development Well studied examples of migration of people away from poorly located areas to fast growing ones with greater job opportunities range from Britain during the Industrial Revolution to India in the past few decades In any setting in which the government has little control over migration, economic development and large amounts of migration out of poor regions are inseparably linked In the long run all of the advanced capitalist economies have moved towards high average national incomes with large areas of relative backwardness with low population densities from which migrants have moved These range from the Highlands of Scotland, the Appalachian Mountains in the US to the Mezzogiorno in Italy

In the 19th century in the industrialising countries of Europe, fast growing regions witnessed a large migration of rural dwellers into urban employment and longer distance migration of people from slower to faster growing areas within the national economy.[6] Large international emigration, often from relatively poor areas within the advanced capitalist countries occurred in the late 19th and early 20th century It is estimated that around 52 million people left Europe between 1815 and 1930 [Baines 1991, p 9] One striking example of this was the huge emigration (totalling over seven million between 1815 and 1930) [Baines 1991, p 9] of poor people from Ireland in 19th century to mainland Britain and to 'lands of recent settlement' This led to a large fall in Ireland's population, from 8 2 million in 1940/41 to 4 4 million in 1910/11 [Mitchell 1973, p 747]

An important characteristic of migration as a contribution to the reduction of poverty is that it is a relatively costless strategy for the national government "It has only rarely required the active intervention of governments More often it has needed only their acquiescence and, most often, in recent times, only their non vigilance It has placed no strain on the capacity for public action of the poor countries" [Galbraith 1979, p 98] Raising incomes for large populations in poor regions may be a much more expensive way for the national economy to reduce poverty

Evaluation of this phenomenon is complex In principle it is necessary to distinguish the costs and benefits to at least three different groups (1) the nation, (2) the region which is receiving the migrants, (3) the region from which the migrants originate, distinguishing between the effects on the migrants themselves and on the region as a whole The focus of this paper is upon the impact on the region from which the migrants originate. Despite extensive studies in different countries there is considerable disagreement over the impact of migration upon the region from which migrants originate.[7] Both 'spread' effects, which benefit the sending region, and 'backwash' effects, which may harm it, can be identified in principle [Myrdal 1957], and it is necessary to examine carefully the evidence for any particular case before reaching a conclusion about the net impact of migration

Table 3 Dimension of Poverty in China, 1978 90

	1978	1985	1990
Total population (m)	963	1059	1143
Urban	172	251	302
	(17 9)	(23 7)	(26 4)
Rural	790	808	841
	(82 1)	(76 3)	(73 6)
Average per capita income (1978 yuan)			
Urban		557	685
Rural	134	324	319
Poverty line (current yuan/year)			
Urban		215	319
Rural	98	190	275
Incidence of poverty (million)			
Total	270	97	98
	(28 0)	(9 2)	(8 6)
Urban	10	1	1
	(4 4)	(0 4)	(0 4)
Rural	260	96	97
	(33 0)	(11 9)	(11 5)

Notes After three years of apparent stagnation in real rural per capita consumption, a substantial further growth occurred in 1991 (SSB, *ZGTJZY*, 1992, p 42) Had the 1991 data been made available to the World Bank, it is likely that there would have been some further reduction reported in rural poverty
Figures in brackets are percentages
Source World Bank 1992, p v

Table 4 Regional Differences in Average Per Capita Rural Net Income, 1990

(Yuan)

China(1)	630
Beijing suburbs(1)	1261
Shanghai suburbs(1)	1665
Zhejiang province(1)	1045
Jiangsu province(1)	884
within which	
Wuchang city suburbs(2)	2001
Changshu city suburbs(2)	1856
Huiyin prefecture(2)	574
within which	
Shuyang county(2)	337
Gansu province(1)	399
	(1989)
within which	
Linxia Hui autonomous prefecture(3)	275
	(1989)
within which	
Dongxiang autonomous county(3)	216
	(1989)

Sources (1) SSB *ZGNCTJNJ*, 1991, 207
(2) SSB(JS) *JSTJNJ*, 1991, 514 15
(3) SSB *GSTJNJ*, 1990, 710

SUPPLY OF MIGRANTS

Administrative controls: Prior to the 1980s tight constraints were exercised over migration, expecially from rural to urban areas. Indeed, by the late 1970s China's urban population was reported to be just 18 per cent of the total population [Banister 1992, p 17], compared to 24 per cent in lower middle income countries and 45 per cent in upper middle income countries [World Bank 1983, p 190]. China's level of urbanisation was on a par with impoverished African countries.

In the 1980s official attitudes mostly remained hostile to migration. A major part of this hostility was connected with the fear of urban instability should large numbers of people flood into the cities. The government retained the official residence registration system, known as the hukou. Moreover, central government policy continued to be shaped by a philosophy that regarded it as undesirable that agricultural land even in high cost, marginal areas, was left to go uncultivated due to migration: "[T]he prevailing official attitude seems to be that China has so little cultivated land that all of it must continue to be tilled, even the poorest agricultural land. So, for example, instead of rejoicing when residents of poor mountain villages spontaneously move to nearby developed plains, the semi-official media laments the abandonment of the formerly cultivated mountain fields" [Banister 1992, p 22]. Rates of officially registered permanent migration across provincial boundaries and into cities did not rise markedly in the 1980s [Banister 1992].

In the late 1980s, limited re-settlement schemes began to be experimented with inside north-west China on the lower plateau. These appear to have been quite successful in raising the incomes of the rural dwellers who were re-settled. However, in order to raise migrant farmers' incomes it was necessary to provide farm inputs, notably electricity for pumping water, at heavily subsidised prices [World Bank 1992, pp 79-80].

De facto controls over migration relaxed sharply in the 1980s as a consequence of the reforms. The main factor was the rapid growth of a free market in food, since control over access to rationed food had been a major instrument of previous control over migration. In addition, the growth of a market economy and removal of ceilings on personal incomes provided much enhanced personal incentives to migrate. Improved incomes increased the ability to do so. Moreover, the fiscal decentralisation and growing responsiveness of local governments to local interests increased the incentives of local governments in relatively poor areas to encourage migration in order to help reduce poverty locally.

Dimensions: In the late 1980s the number of 'temporary' migrants greatly exceeded the number of permanent migrants. The size of the 'floating population' grew rapidly, with perhaps as many as 70 million, mainly rural, migrants in this category [Banister 1992, p 20]. However, a large number of the 'temporary' migrants have already been living for several years in the place to which they have migrated, recalling Galbraith's comments on the 'temporary' nature of much migration elsewhere: "There is an elaborately cultivated illusion that the migrants are only temporarily present, will never become full members of the community, and must one day go home" [Galbraith 1979, p 104].

The phenomenon of 'blind' migration of large numbers of rural dwellers was widely recognised both by policy-makers and ordinary urban citizens who encountered migrants at every turn. Their pressure made itself felt in striking fashion with huge crowds milling around railway stations in large east coast cities.

The number of long-term migrants also grew rapidly, but was much smaller in total. The Pearl River Delta (narrowly defined) in 1989 was reported to have 2.2 million migrant workers, the Yangzi Delta had 1.7 million, and the Bohai coastal area had 1.8 million migrants [Research Group of Migration 1989, p 15]. These were large numbers in absolute terms, but small in comparison with the total rural labour force even in poor areas.

Geographical Origins: The market for long-distance migrants is imperfect in any country at the best of times, with poor availability of information about job prospects and relatively high search costs. Despite this, major waves of long distance migration by poor people have occurred regularly.

For a country at its level of income, China's 'poor areas' in the 1980s had a high level of access to modern means of communication. For example, even in impoverished Gansu province there was an average of 30.1 TV sets per 100 households in 1990 [SSB(ZGTJNJ) 1991, p 305]. Compared to other countries and to earlier experiences of industrialisation, China's poor areas had a much better awareness of economic developments in more advanced parts of the country. An important part of the reason for the burst of migration in China in the late 1980s was the explosive growth of output and employment prospects associated with the very high pace of growth of investment and output in the eastern coastal provinces of China. Such rapid growth, about which there were constant reports in the mass media, gave high hopes to potential migrants that they might obtain employment there.

However, a key part of the migration process in almost all cases elsewhere is the chain of information, and the security provided by a network of connections from the place of origin: "The most important characteristic of regional emigration...is continuity. Once emigration from a particular region was established it tended to be high" [Baines 1991, p 33].[8] Moreover, it is by no means the case that emigration has typically tended to be highest from the poorest regions [Baines 1991, p 35]. Anecdotal evidence from China in the 1980s suggest that 'chain' migration is as much a part of the story there as it has been in other countries. In Beijing well known examples of chain migration are female domestic helps, who mostly come from a single moderately well off county in Anhui province, and carpenters, who mostly originate from Zhejiang province, in which rural incomes are higher than anywhere else in China. Among the most ubiquitous migrants are those from the thriving coastal region of Wenzhou, also in Zhejiang province. They are such determined migrants that there is now a large community of Wenzhou craftsmen in Paris, who mostly went there in the 1980s. Baines' analysis of migration rates in different British counties in the 19th century found: "[O]n average people in some counties were more likely to

TABLE 5: INCOME AND DEMOGRAPHY IN SHANGHAI AND IN RICH AND POOR AREAS OF JIANGSU PROVINCE, 1990

Area	Average Per Capita Rural Income (Yuan)	Death Rate (No Per 1000)	Birth Rate (No Per 1000)	Natural Population Growth Rate (No Per 1000)
Shanghai	1665	6.6	10.3	3.4
Jiangsu province	884	6.5	20.5	14.0
within which				
Wuchang city suburbs	2001	5.8	15.0	9.2
Changshu city suburbs	1856	5.5	11.5	6.0
Huiyin prefecture	574	5.1	25.8	20.7
within which				
Shuyang county	337	4.3	52.4	48.1

Source: SSB(JS), JSTJNJ, 1991, 469 and 514-15.

emigrate than people in other counties even when the material benefits of emigration were the same for both groups" [Baines 1991, p 36] It is well known that a large fraction of overseas Chinese before 1949 originated from a small number of counties in the south Chinese province of Guangdong

Much migration to more rapidly growing east coast areas was from within the eastern provinces themselves, mostly from the poorer parts of these provinces[9] Moreover, considerable migration, often over long distances occurred within the poor provinces themselves However, the demand for migrant labour was growing much more rapidly in the east coast provinces than in the poor provinces or in advanced areas of the central Chinese provinces such as Sichuan[10] Large numbers of migrants were, indeed, moving out of poor provinces in search of employment hundreds or even thousands of kilometres away Rough estimates by officials involved in anti poverty work suggest that in 1991 around six million people migrated out of Sichuan province, around three million from Henan, and around three million also from Gansu (personal communication, 1991) As many as 20 million migrants may have made the trek from western to eastern China in search of employment in 1990 or 1991

Personal Background In common with other developing countries, the majority of migrants were young, single males However, in absolute terms female migration was important and may have been growing as a share of total migrant employment In certain sectors females dominated, notably domestic help ('baomu'), assembly work in the special economic zones, restaurant work and, self-evidently, in prostitution[11] The main body of long-distance migrants from inland China were poorly educated, relying mainly on physical strength to ensure employment [Research Group on Migration 1989, p 21]

Organisation Unlike the situation in most other developing countries, a segment of long distance migration from poor areas in China went through official channels Local authorities, especially township governments, in poor areas often helped organise migrants, giving them training courses and information about job opportunities, in the belief that their migration would benefit the local community Moreover, the central government has played a role in organising long distance migration in poor areas, though the bulk of this has been within provincial boundaries For example, 70 per cent of officially organised migration of Gansu's poor people between 1986 and 1990 was to other locations within the province However, the vast bulk of migration has been undertaken through private channels

Land Contracts China's 'land reform' of the early 1980s resulted in virtually equal per capita allocations of farmland contracts within most villages[1] Consequently China has neither a landlord nor a landless labourer class Almost all China's rural migrants possess a form of property ownership in farmland (albeit with ambiguous legal definition) in their native village This sharply differentiates migration in China from a large portion of migration in non socialist developing countries

Demand for Migrant Labour

Demography, Economic Growth and Labour Market The regional impact of China's main demographic changes since the 1960s has been uneven Across the whole of China mortality rates have fallen to low levels except in pockets of extreme poverty, but birth rates in poorer areas took longer to fall and still are mostly above those in rich areas (Table 5) Consequently rate of growth of the working age population has become quite uneven with faster growth rates in the poorer parts of China than in the more industrialised regions

China's economic reforms in the 1980s enabled east coast regions to enjoy much higher rates of output growth than inland provinces, and they are likely to continue to grow at much faster rates in the foreseeable future. Under competitive conditions, one would expect a rapid growth in demand in rich areas for migrants from poor areas In the absence of institutional interventions one would expect strong pressure for the east coast provinces to continue growing along the 'Lewis' path, with a bias in factor intensity towards labour intensive techniques, as migrants from poorer areas help to keep down real income growth in more advanced areas Under competitive conditions high rates of labour absorption in the advanced areas would lead to sustained growth in demand for migrant workers from poor areas For a long period to come it might be expected that China's 'dual economy' would be steadily eroded as labour was drawn out of the less industrialised regions into the more industrialised ones However, the demand for labour in advanced areas in China is affected by several important institutional peculiarities discussed below

Agriculture China's agricultural reforms of the 1980s did not establish private land ownership but rather, local community ownership The purpose of this arrangement was to prevent the emergence of landlordism The local community rather than a landlord class is the main recipient of that part of Ricardian rent which does not remain in the hands of individual peasants through a variety of charges made for land use There are numerous examples of village communities in advanced areas deciding to subcontract their land to groups of migrants from poor areas For example, there were in 1988 in the Beijing suburbs around 70,000 peasants growing vegetables under contract on community-owned farmland [Research Group on Migration 1989] However, micro level data suggest that such subcontracting is still not on a wide scale For example, a study of 10 villages in Zhejiang province showed that less than 5 per cent of migrants were working in agriculture [Rural Policy Research Department 1988, pp 28 30] Local communities in rich areas appear reluctant to grant permanent rights of settlement to migrants for fear that this will impose a long term burden on welfare resources There is also a fear that migrants who cultivate land for a long period might gain *de facto* ownership rights and be hard to evict in the absence of clearly defined private property rights.

These fears do not affect the demand for migrant workers who work as agricultural hired labour Demand for agricultural labour fluctuates hugely depending on the season, with the peaks being especially marked under multiple cropping systems The availability of cheap migrant labour encourages farmers in richer areas to substitute labour for capital in order to meet peak season demands There was considerable growth of migration of seasonal hired labour in the 1980s but it is hard to estimate its extent Unlike many poor countries such as India, China does not have legislation to 'protect' rural hired labour by attempting to set minimum wages, nor have attempts been permitted to organise migrant labourers into trade unions In other countries such well meaning attempts to protect the rights of migrants have frequently backfired by encouraging 'capitalist' farmers to substitute capital for labour thereby slowing down the growth in demand for migrant labour Clearly this does not apply to China

Village government in post reform China remains very much alive In richer areas the main source of finance for community government is profits from booming community owned non farm enterprises Rather than maintain public infrastructure facilities through direct labour contributions from local peasants, a common practice since the reforms has been for richer communities to employ specialist gangs of peasants from poorer communities to build and maintain irrigation facilities The quality of such work can be much more easily monitored than

can other types of farm work and the relatively high incomes that local peasants can earn in other activities make this a rational arrangement from their point of view.

State Industry: China's state enterprise employees have constituted an 'aristocracy of labour' since the 1950s, with lifetime security of tenure and higher average incomes than other sectors. No fundamental change occurred in the 1980s. Although employment in this sector grew relatively slowly in the 1980s (2.8 per cent per annum, 1980-1990) [SSB(ZGTJNJ) 1991, p 95], its huge absolute size meant that around two-thirds of the total increase in registered employment in China's urban areas came from state enterprises. A large part of the increase in employment in the state sector in the 1980s came from 'contract' workers who had inferior conditions of employment to ordinary workers in state enterprises.[13] While poor migrant labourers may have had some possibility of employment in this sector, it is unlikely that they made up a large part of the employment expansion, since their level of education was generally too low, and priority was still given to the relatives of existing employees in state enterprises in allocating new jobs. Indeed data on total recorded employment expansion in Chinese cities in the 1980s shows that peasants in general, let alone those from the poorest areas, obtained only a small share of this employment (Table 6).

Rural Collective Enterprises: Throughout the 1980s community-owned enterprises constituted the most important part of the rural non-farm sector's capital stock and continued to produce the major part of this sector's output. It operated mostly under contract systems arranged between the community's asset management agencies and the enterprises' operators, with profit as the main component of the contract. Output from the sector grew at an extremely rapid rate, especially in well located areas, and its products started rapidly to penetrate world markets. This sector absorbed new labour at a more rapid rate than did the state sector (around 6 per cent per annum in the late 1980s) [ZGJJNJ 1985, section 5, p 19 and ZGJJNJ 1989, section 5, p 15].

However, there is much evidence that rural community-run enterprises behaved like true co-operatives, restricting employment from outside the local community in the interests of maximising income for co-operative members. Even in the most advanced rural areas where community enterprises expanded especially rapidly, migrant labourers constituted only a small proportion of total employment in this sector.[14] This led frequently to tight labour markets in the rural non-farm sector in these areas and often to the premature substitution of capital for labour in community enterprise and a switch away from labour-intensive production.

Private Enterprise: The most rapid growth of employment in advanced areas in the 1980s occurred in the private sector. In this sector market forces had a strong impact on demand for migrant labour.

In the cities formally recorded employment increased from negligible levels to around seven million at the end of the 1980s [SSB (ZGTJNJ) 1991, p 95], and included such numerically important occupations as domestic helps. However, the number of people who worked in cities in the non-recorded 'informal' sector probably exceeded this figure by a large amount. Such activities incorporated a wide range of 'employments', including open begging, robbery, labour intensive transport of goods, street trading and vending, restaurant service, and prostitution.

Much larger numbers of people were employed in the private sector in the rural areas. The share of the private sector in total rural output remained small due to the small amounts of capital typically employed in these enterprises. However, the share of this sector in total rural non-farm employment exploded. By 1988 it had reached 47 million compared to 49 million in the community owned sector [ZGJJNJ 1985, section 5, p 19, and ZGJJNJ 1989, section 5, p 15]. There were reported to be in the late 1980s around 17 million tiny private or quasi private enterprises with an average of just three to four workers in each [ZGJJNJ 1989, section 5, p 15]. It can be imagined that this sector included a wide range of activities. Little protection was given by the government to the workers employed in this sector. Wages and conditions of work in these types of enterprises were probably among the poorest in the rural non-farm sector, frequently, of course, involving self-exploitation by families themselves. However, this sector provided larger opportunities for migrant employment than most other parts of the rural non-farm economy.

Those highly developed parts of China in which the private enterprise played a dominant role in the rural non-farm sector, such as Wenzhou, were more likely to have low institutional restriction on the long-term employment of migrant workers.

Construction: The construction sector grew rapidly in the 1980s, waxing and waning in its demand for labour with the fluctuations in the pace of capital investment. Much of the demand for employees came from the state sector but was mediated through a contract system in which rural migrant workers played an important role. Rural construction workers were typically organised in gangs run by village governments. The number of rural employees in the construction sector rose from under three million in 1980 to over 15 million in 1990 [SSB 1990, p 113]. A part of this undertook local rural construction, but much of the work was in cities on state projects. In Guangdong province, for example, the number of state construction workers stood at 2,48,000 in 1986, compared to 7,20,000 organised in collective construction teams [Vogel 1989, pp 265-66]. This was work in which physical strength was the main criterion for success in seeking employment. Construction gangs often came from long distances from poor areas. Moreover, the arduous and dangerous nature of the work and the relatively low pay made the work unattractive to many local jobseekers. This sector provided an important source of temporary employment for individual migrants from poor areas. In Guangdong, for example, there were almost 4,00,000 such construction workers by the late 1980s [Vogel 1989, pp 265-66].

Effects of Migration on Poor Areas

Impact on Migrants and Their Families: Many migrants make mistakes and lose money through migrating. Their investment in terms of income from local employment which was foregone and/or in terms of the capital required to finance their search for work, exceeds the returns from their migrant employment.

However, for a large number of people migration leads to increased, personal incomes. Seasonal migration has low opportunity costs since it is undertaken at the slack season in the farming calendar, and most often results in some net addition to family income. Long-term migrants would rarely stay in the areas to which they had

Table 6: Origins and Destinations of New Urban Employees in China

Year	Total (m)	Origins (m)				Destinations (m)		
		Urban Workers	Rural Workers	Students	Others	All-People Owned	Urban Collectives	Individual Workers
1980	9.0	6.2	1.3	0.8	0.7	5.7	2.8	0.5
1989	6.2	2.8	1.2	1.5	0.7	3.9	1.9	0.4

Source: SSB (ZGLDGZTJNJ), 1990, section 1.14, and SSB, ZGTJNJ, 1991, 116

migrated unless they felt that their income, broadly measured, had increased One cannot simply consider the effect on poor regions in terms of those who are left behind after migration If a significant proportion of the population of impoverished areas is able to escape from poverty through long-term, often permanent, migration, then this should properly be considered as a contribution to solving the problem of poverty in poor areas

If the migration achieves this positive result for migrants without any negative effect on the level or growth of income in the poor region, then it can be considered an unambiguous welfare gain for the poor region If there are net negative effects resulting from the migration, then the welfare issue becomes more complex These become even more complex when time is taken into account, since there may be negative effects in one time period and positive effects over a different period of time. It is to the analysis of this issue that this paper now turns

Effect of Migration upon Poor Areas as a Whole

(a) Spread effects Seasonal migration is most unlikely to reduce incomes in poor areas Rather, the effect is to enable peasants to obtain higher returns from their labour and meagre capital resources during periods of the year in which they normally have the opportunity to earn only small amounts of extra income locally Seasonal migrants return with capital to invest, income to consume within their families, often with positive effects on a wider network of people, and with new ideas which may indirectly benefit their community Of course, seasonal migration is a method of obtaining information about long-term employment possibilities in other areas, and may frequently be the prelude to a decision to migrate long term

Although they are mostly sparsely populated, many of China's poor areas are over populated in relation to their fragile ecology and limited amounts of capital Even long-term migration of young males may have some positive impact through increasing the amount of farmland per person

The probability of long-term migrants returning to their native place may be rather higher in China than in other poor countries due to the fact that peasants all had a land allocation made to them during the land reform of the early 1980s However, it cannot be imagined that this is a large influence, since the returns to this land in poor areas are low In other countries, the ownership of farmland in the place from which peasants have migrated has not caused large-scale return of long-term migrants The establishment of families in their new place of residence, the difference in life style and the usually much higher incomes earned there all conspire in the long term to weaken ties with the native place

Innumerable studies of migration show the large initial propensity of young single migrants to send back a large portion of their earnings to their families in their native place China in the 1980s was no different "[Guangdong province's] mountain villages reported that after the construction workers deducted their living expenses, they all automatically sent back the rest of their income to their families in the villages For households with a construction worker member, this meant roughly a doubling of their family income" [Vogel 1989, p 266]

(b) Backwash effects As Myrdal pointed out in his classic study [Myrdal 1957] one of the most important consequences of long term out migration is its effect on the age structure of the area of origin Migrants are usually young and male, and the areas they leave are typically those which already have relatively high dependency ratios The effect of migration is to exacerbate this feature, with many negative economic consequences upon poor areas through the burden it imposes upon the existing working age population in poor areas Given existing resources, and in the absence of inflows of additional capital, it is possible that there would be an immediate fall in per capita income in poor areas which, *ceteris paribus*, would adversely affect the possibility for poor areas to save and invest in order to grow The shift in the dependency ratio would tend to increase the share of investment spending allocated to social welfare for young and old dependents merely in order to maintain existing *per capita* provisions, to the probable detriment of investment expenditure upon other growth inducing items

While the initial effect on the dependency ratio is to raise the proportion of both young and old dependents, over the long term it is likely to contribute to a steady rise in the share of elderly people in the population of poor regions

Out migration is likely to shift the sex ratio towards females This will tend to increase the wider socio-economic burden for women in poor areas and in the long-term it will tend to reduce population growth in poor areas At first sight it might appear that the number of long term migrants out of poor areas is not yet large compared to their total population Sex ratios in poor areas are still not officially reported to be very different from the national average[15] However, it is questionable how much official data are to be relied upon Many long term migrants have not changed their official registration especially as to do so would mean that the migrants lost the right to contracted land allocated to them in the early 1980s

It is not unknown for out migration from poor areas in developing countries to be so large that the balance between people and resources shifts very quickly from over to under population A special problem for sparsely populated areas with large amounts of out migration is the difficulty of maintaining infrastructure which is relatively expensive per unit of provision in sparsely populated regions

While return flows of capital from long term migrants may be high initially, over time these may be expected to decline as migrants settle down and assume family responsibilities in the regions to which they have migrated

Policy Issues for China in 1990s

(a) To date much of the largest amount of long-distance migration out of poor areas in China under the economic reforms has been seasonal The net balance of advantage of this form of migration is almost certainly positive both for individual families and for the poor regions as a whole

It can be expected that this will remain at a relatively high level if growth continues to be rapid in the well located east coast provinces

(b) Compared to almost all other developing countries, China has a much greater opportunity to reduce poverty in poor areas through out migration The reason for this lies in the extraordinarily rapid growth rate of industrial output which shows every sign of continuing in the 1990s as it did in the 1980s It is likely that this growth will continue to be most rapid in the eastern coastal areas where

Table 7 Urban Construction Workers by Type of Enterprise All China

(Million)

	Total	All People Construction Enterprises	Urban Collective Construction Enterprises	Rural Construction Teams
1980	9 8	4 5	1 7	3 3
1988	19 0	6 2	4 2	8 5

Source SSB, ZGRKNJ, 1989, 198

natural rates of population growth are already relatively low. While it might not provide a great deal of direct formal sector employment for migrants, it can be expected, under appropriate institutional arrangements, to generate much employment indirectly in these areas in agriculture, the rural non-farm and the urban 'informal' sectors.

(c) For the national economy there may well be net benefits from greater long-term migration out of poor areas than exists at present. This is a relatively cheap and easy way for the government to reduce the numbers living in poverty in poor areas. Furthermore, this may help to prolong a phase of 'Lewis-type' labour-intensive growth, which may enable many sectors to use scarce capital efficiently, and to prevent labour markets from becoming tighter in fast growing areas. The fact that the rate of growth of the labour force is becoming much slower in more industrialised regions makes it important from a national growth perspective that advanced areas allow the movement of greater number of long-term migrants into non-farm employment in advanced areas than is permitted at present.

(d) There are substantial institutional barriers in a number of key respects to long-term migration out of poor areas in China. These exist in the state sector, with its aristocracy of labour and reluctance to extend employment beyond the friends and relatives of existing employees. However, there are formidable problems in most poor countries to poor migrants obtaining work in the large-scale modern manufacturing sector, notably the low average level of skill of migrants from poor areas. Therefore, it is unlikely that the institutional constraints peculiar to China are the main barrier to greater employment in this sector of migrants from poor areas. These are more important constraints on employment of long-distance migrants in the rural community-owned non-farm sector and in agriculture.

Community ownership of non-farm assets provides many advantages to local people. It enables local governments to maximise local employment. It enables them to obtain a much larger share of local resources than do local governments in most developing countries. This in turn enables them to provide a relatively high level of support for the local economy by stepping in where markets are thought to fail. Furthermore, it means that the local community has a relatively high level of provision of public welfare services. Restricting employment may not be a great hindrance to the growth of these areas. In effect, these advanced areas were following the 'Singaporian' path of development with rising real wages forcing producers into increasingly capital and knowledge-intensive production with more rapid advance in value added per person than might occur under more competitive conditions. As far as labour markets are concerned communities in advanced areas were behaving as though they were in a separate economy from the poorer parts of China. They benefited from 'free trade' in goods and services with the rest of the economy, but restricted in-migration so as to sustain the incomes of local people.

The institutional barriers to long-term migration into agriculture in rich areas stem partly from a concern with social justice at the local level. The fact that land ownership rights have not been privatised reflects the desire not to allow a class of exploitative landlords to emerge. It reflects too the related concern to use the allocation of farm land as a weapon to enable the village government to influence villagers to abide by community (and national government) decisions, and to ensure that local taxes are paid over.

Paradoxically, therefore, the institutional restriction on migrants moving to work as long-term employees or contractees of farm land in highly developed areas stems from the 'municipal socialist' characteristics of Chinese local communities. Full privatisation of property rights in respect to farm land and rural community-owned assets would enormously reduce the institutional barriers to migration from poor areas. The private sector has already demonstrated that demand for migrant labour under private ownership is not affected by wider considerations of local community interests, and this would be likely, *ceteris paribus*, to lead to faster growth of demand for long-term migrant labour in highly developed areas. However, this would have large consequences in other respects.

(e) If policies were adopted which did reduce institutional constraints upon long-term migration from poor areas, there still would exist non-institutional barriers to such migration, but it is likely that the level would grow considerably. This would produce large welfare improvements for the migrants themselves and could play an important role in reducing the total numbers in poverty in China. In the short term there might be net benefits for incomes in poor areas mainly arising from migrants remittances. However, the large effects upon the age and sex structure of poor areas might outweigh these effects producing negative consequences even in the short term for those who remain. In the medium term the probability that the net effect upon the region itself would be negative rises considerably as flows of remittances fall off and the communities become increasingly aged. There is likely to continue to be a need for government subsidies for people in poor regions, either through direct income support or support for employment creation. However, the number who remain in poor areas and the consequent costs for the national economy would be much smaller than they might have been with lower levels of migration.

(f) China's past controls on in-migration to cities has meant that urban poverty has been extremely limited. While most migrants to cities may well raise their incomes, a large body of them is likely to be poor compared to the urban average, and a further part of them is likely to be absolutely very poor, perhaps even having experienced an unanticipated fall in their income. Thus, in the future a much increased part of anti-poverty work in China will have to be focused on the cities.

(g) Proper policy conclusions require a careful empirical foundation. Although Chinese economists have begun to study migration within their own country, there still are, to my knowledge, no proper surveys of the causes of migration from, and the impact of migration upon, poor regions. This requires carefully constructed, time-consuming surveys based largely on interviews in both the place of origin and the destination of migrants. Because so many of these migrants enter the informal sector and are seasonal migrants the problem for such surveys are especially acute. However, in the absence of this information, one can only make limited progress by trying to think in general terms and abstracting information from more general data which was not

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collected with this very specific issue in mind. Unless this work is done, and the results made public, it will only be possible to discuss matters in the general way that this paper has done."

Notes

[I am most grateful to my colleague Geoff Harcourt for his careful reading of this article and for his comments. I am grateful also to John Sender for the stimulus provided by discussions we had on this topic during a project we undertook together in China in 1991. Liu Xuofeng kindly drew my attention to some of the Chinese articles referred to in this paper. An earlier version of this paper was prepared for the World Bank conference on Poverty in China held in Beijing in October 1992.]

1. For an excellent summary of the government anti-poverty programme and its impact on one province see Lyons (1992). For a wider discussion see World Bank 1992.
2. The reforms began the moment Mao Zedung died in 1976.
3. Anders Aslund a leading western advisor to the Russian government is still in late 1992 urging that Russia moves faster in its economic reforms [Aslund 1992].
4. Kirkal (1991) estimates there was a 69 per cent improvement in the overall PQLI index for India between 1965 and 1981.
5. There still were pockets of poverty where levels of PQLI provision were much below the national average [World Bank 1992] for a meticulous account of the remaining problems in health and education in poor areas.
6. For example the fast growing British counties of Middlesex, Surrey and Monmouthshire all had average annual rate of in migration of over 10 per thousand between 1800 and 1831 [Deane and Cole 1967: 115].
7. Todaro (1976).
8. See also the detailed analysis of regional origins of migrants in Jetpur, Gujarat undertaken by Dupont (1992).
9. Vogel (1989) estimates that by 1987 60 per cent of the more than three million migrant workers in the Pearl River Delta Canton Shenzhen and Zhuhai Special Economic Zones were from mountainous areas within Guangdong province itself [Vogel 1989 pp 265-66].
10. The proportion of the urban population waiting for work is a reasonable indicator of the degree of tightness of the local labour market. Official data show significantly higher proportions in inland and poor provinces than in the booming coastal areas [SSB(ZGLDGZTJNJ) 1990 section 2]. The proportion nationally 'waiting for work' in urban China in 1989 was 2.6 per cent while in impoverished Gansu province the figure was 5.5 per cent [SSB(ZGLDGZTJNJ) 1990 p. 49]. Moreover in impoverished parts of the province the figure was even higher. In Linxia city for example in the mountainous minority area to the south of Lanzhou the provincial capital the figure was no less than 17.5 per cent [SSB(ZGLDGZTJNJ) 1990 p. 70].
11. Prostitution has become a very important phenomenon in the 1980s. For example during the author's visit to China in October 1992 the *China Daily* carried a report about the closure of several hundred inns on the main Shandong highway in which grossly immoral practices were going on and reported the arrest of over one thousand prostitutes working at these [illegible]. Moreover the purchase of brides is quite widespread with prices being lowest in the poorest regions the law of the market operating here no less than in other sectors.
12. Rights to cultivate were granted for an initial 15 year period with near certainty of further indefinite extension of cultivation rights and *de facto* guarantee that the rights to cultivate are inheritable.
13. The number of contract workers in state enterprises rose from 0.6 million in 1983 to 13.7 million in 1990 [SSB(ZGTJNJ) 1991 p. 115].
14. Meng (1990).
15. For example, in 1989/1990 the reported difference in the ex rations between Jiangsu province Gansu province and the impoverished Linxia county within Gansu province (see Table 4 for details of the income figures) were very small standing at 104 (females 100) for Jiangsu province [SSB(JSTJNJ, 1991 p. 545] 107 for Gansu province and 105 in Linxia Autonomous Prefecture and 103 in Dongxiang Autonomous County [SSB(GSTJNJ) 1990 pp. 613-20].
16. The World Bank's own report on poverty in China [World Bank 1992] touches on the economic of migration only in the most general way and cannot draw upon more systematic survey data on the link between migration and the economics of poor areas.

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BANQUE INDOSUEZ

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BOMBAY BRANCH

BALANCE SHEET AS ON MARCH 31, 1993

In INR '000s

	Schedule	As on 31-03-93	As on 31-03-92
CAPITAL AND LIABILITIES			
Capital	1	46,000	25,000
Reserves and Surplus	2	261,646	97,376
Deposits	3	1,909,669	1,930,519
Borrowings	4	178,058	23,094
Other liabilities and provisions	5	358,145	596,673
TOTAL		2,707,518	2,647,662
ASSETS			
Cash and balances with Reserve Bank of India	6	523,231	79,897
Balances with banks and money at call and short notice	7	59,490	133,753
Investments	8	808,849	992,648
Advances	9	855,423	909,527
Fixed Assets	10	142,107	49,570
Other Assets	11	318,418	482,267
TOTAL		2,707,518	2,647,662
Contingent Liabilities	12	12,096,372	37,349,352
Bills for Collection		85,618	101,872
Notes to the Accounts	17		

The schedules referred to herein form an integral part of the Balance Sheet.

Signatures to Balance Sheet and schedules 1 to 12 and 17

As per our report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
V. R. MEHTA
Partner

Bombay: June 30, 1993

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1993

In INR '000s

	Schedule	Year ended 31-03-93	Year ended 31-03-92
I. INCOME			
Interest earned	13	334,557	475,930
Other income	14	106,557	101,062
TOTAL		441,114	576,992
II. EXPENDITURE			
Interest expended	15	236,106	374,457
Operating expenses	16	59,961	51,409
Provisions and contingencies		77,094	71,936
TOTAL		373,161	497,802
III. PROFIT			
Net profit for the year		67,953	79,190
Profit brought forward		65,504	23,135
TOTAL		133,457	102,325
IV. APPROPRIATIONS			
Transfer to statutory reserves		13,590	15,838
Remittance to Head Office		–	20,983
Balance carried to Balance Sheet		119,867	65,504
TOTAL		133,457	102,325
Notes to the Accounts	17		

The schedules referred herein form an integral part of Profit and Loss Account.

Signatures to Profit and Loss Account and schedules 13 to 17

Sd/-
C. VANDELLI
Deputy General Manager (India)

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1993

In INR '000s

	As on 31 03 93	As on 31 03 92
Schedule 1—Capital		
Initial start up capital	2,000	2,000
Amount of deposit kept with Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949	44,000	23,000
TOTAL	46,000	25 000
Schedule 2—Reserves and Surplus		
1 Statutory Reserve		
Opening Balance	31,872	16,034
Additions during the year	13,590	15 838
	45,462	31,872
2 Capital Reserve		
Opening Balance		
Additions during the year on revaluation of premises and other assets	96,317	
	96,317	
3 Balance carried forward per Profit and Loss Account	119,867	6,504
TOTAL	261,646	97,376
Schedule 3—Deposits		
I Demand Deposits		
i) From Banks	1,792	1,856
ii) From Others	150,522	301,603
II Savings Bank Deposits	26,693	29,604
III Term Deposits		
i) From Banks	174,167	268,377
ii) From Others	1,556,495	1,329,079
TOTAL	1,909,669	1,930,519
Deposits of Branches in India	1,909,669	1,930,519
Deposits of Branches outside India		

In INR '000s

	As on 31 03 93	As on 31 03 92
Schedule 4—Borrowings		
I Borrowings in India		
i) Reserve Bank of India	169 480	
ii) Other Banks	7,394	18 807
iii) Others		
II Borrowings Outside India	1 184	4 287
TOTAL	178 058	23,094
Secured borrowings included above		
Schedule 5—Other Liabilities and Provisions		
I Bills Payable	5 812	14,896
II Inter office Adjustments (Net) Overseas Branches	157 373	119,749
III Interest accrued	163,564	339,085
IV Others (including provisions)	31,376	122,943
TOTAL	358,145	596,673
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash on hand (including foreign currency notes)	5,415	3 577
II Balances with Reserve Bank of India		
i) In Current Account	517,816	76 320
TOTAL	523,231	79,897
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
i) Balances with Banks		
a) In Current Accounts	2 263	7,870
II Outside India		
i) In Current Accounts	57,227	125,883
TOTAL	59,490	133,753

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1993

In INR '000s

	As on 31 03 93	As on 31 03 92
Schedule 8—Investments		
I Investments in India in		
i) Government Securities (including Treasury Bill)	649,898	538,587
ii) Shares	360	360
iii) Debentures or Bonds		312,160
iv) Units	18, 91	141,541
v) Commercial Paper	140,000	
TOTAL	808,849	992,648
Aggregate market value of Investments in Government securities	643,936	540,847
Schedule 9—Advances		
A i) Bills purchased and discounted	471,420	607,451
ii) Cash credits, overdrafts and loans repayable on demand	319,033	280,784
iii) Term loans	64,970	21 292
TOTAL	855,423	909,527
B i) Secured by tangible assets	215,352	148,207
ii) Covered by Bank/ Government Guarantees	251,448	81,687
iii) Unsecured	388,623	679,633
TOTAL	855,423	909,527
C Advances in India		
i) Priority Sectors	166,198	130 686
ii) Public Sectors	-	
iii) Banks		
iv) Others	689,225	778,841
TOTAL	855,423	909,527
Schedule 10—Fixed Assets		
I Premises		
Cost as on 01 04 1992	47,303	47,968
Additions during the year (incl Rs 85,051 on account of revaluation)	85,581	37
	132,884	48 005
Deductions during the year		702
	132,884	47,30'
Depreciation to date	14,887	10 915
Closing Balance	117,997	36,388
II Other fixed assets (including Furniture and fixtures)		
Cost as on 01 04-1992	30,820	29,421
Additions during the year (incl Rs 11,266 on account of revaluation)	15,001	2,474
	45,821	31,895
Deductions during the year	1,248	1,075
	44,573	30,820
Depreciation to date	20,463	17,638
Closing Balance	24,110	13,182
TOTAL	142,107	49,570
Schedule 11—Other Assets		
I Interest accrued	177,532	336,504
II Stationery and stamps	48	51
III Others	140,838	145,712
TOTAL	318,418	482,267
Schedule 12—Contingent Liabilities		
I Claims against the company not acknowledged as debts	70,578	70,578
II Liability on account of outstanding forward exchange contracts	7,900,526	30,366,186
III Guarantees given on behalf of constituents		
i) In India	330,408	259,463
ii) Outside India	2 960 029	4,080,005
IV Acceptances, endorsements and other obligations	641,987	1,237,971
V Liability on account of Bills of exchange rediscounted	176,874	1,335,149
VI Tax matters in dispute and in appeal not provided for	15,970	
TOTAL	12,096,372	37,349,352

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

BOMBAY BRANCH

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT AS ON MARCH 31, 1993

In INR '000s

	Year ended 31-03-93	Year ended 31-03 92
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	198,924	306 308
II Income on investments	80,310	70,762
III Interest on balances with Reserve Bank of India and other inter bank funds	47,074	91,025
IV Others	8,249	5,835
TOTAL	334,557	475,930
Schedule 14—Other Income		
I Commission, exchange and brokerage	28,393	30,392
II Profit/(Loss) on sale of investments (Net)	(47,428)	(31,629)
III Profit/(Loss) on sale of land, buildings and other assets (Net)	(89)	56
IV Profit on exchange transactions (Net)	53,054	60,321
V Income earned by way of dividends	72,627	41,922
TOTAL	106,557	101,062
Schedule 15—Interest Expended		
I Interest on Deposits	157,612	104,989
II. Interest on Reserve Bank of India/inter-bank borrowings	7,161	88,764
III Others	71,333	180,704
TOTAL	236,106	374,457

In INR '000s

	Year ended 31-03 93	Year ended 31-03 92
Schedule 16 Operating Expenses		
I Payments to and provisions for employees	9,564	8,777
II Rent, taxes and lighting	3,284	3,632
III Printing and stationery	944	1,055
IV Advertisement and publicity		388
V Depreciation on Bank's property	7,754	6,955
VI Directors and local advisory board members' fees, allowances and expenses	18	10
VII Auditors' fees, and expenses	70	71
VIII Law charges	188	96
IX Postage, telegrams, telephones etc.	3,821	2,856
X Repairs and maintenance	876	808
XI Insurance	388	362
XII Other expenditure	33,054	27,399
TOTAL	59,961	51,409

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

BOMBAY BRANCH

Schedule 17—Notes to the Accounts

I. Principal Accounting Policies.

a) General

i) The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

ii) Revenues are accounted for on an accrual basis except interest on advances classified as non-performing according to the prudential accounting norms prescribed by the Reserve Bank of India.

b) Transactions involving foreign exchange.

i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the financial year except Foreign Currency Non Resident account balances which are carried at the relevant rates specified by the Reserve Bank of India.

ii) Outstanding foreign exchange contracts are carried at the contracted rates.

iii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.

iv) Profit or loss on outstanding forward contracts is accounted for on accrual basis.

c) Investments

i) Investments in Government securities other than treasury bills are intended to be held till maturity and are classified as 'permanent' investments in accordance with the Reserve Bank of India guidelines and are carried at 'Cost'.

ii) All other 'quoted' investments are valued at 'lower of cost or market value' on an aggregate basis.

iii) 'Unquoted' investments are carried at 'Cost'.

d) Advances

i) Provision for doubtful advances is based on their classification into "performing" and "non-performing" assets in accordance with Reserve Bank of India guidelines. Provision for non-performing assets is made as under:

Sub-standard assets	-	10% of net advance.
Doubtful assets	-	100% of the unsecured portion and 20% to 50% of the net secured portion depending on the period for which the asset has remained non-performing.
Loss assets	-	100%.

ii) Provision in respect of doubtful advances is deducted from advances.

e) Fixed Assets

i) Premises and other fixed assets have been accounted for at their historical cost less depreciation. Premises which have been revalued are accounted for at the values determined on the basis of such revaluation by professional valuers Surplus on revaluation has been credited to Capital Reserve.

ii) Depreciation is provided for on the diminishing balance method at the rates specified in Schedule XIV to the Companies Act, 1956. In respect of additions during the year, depreciation is provided with effect from the half year in which the addition is made.

iii) Depreciation in respect of revalued assets is provided for on the revalued amount and charged to the Profit and Loss Account.

f) Staff Benefits

Contribution to the approved Gratuity Fund is made as per valuation by an actuary.

g) Revenue Recognition

Income from advances is recognised on expiration of time basis except in case of non-performing advances which is recognised on realisation basis as per the income recognition norms of the Reserve Bank of India.

h) Profit and Loss Account

'Provisions and Contingencies' include:

i) provisions for taxes on income in accordance with statutory requirements,

ii) provision for doubtful advances,

iii) transfers to contingency and other funds,

iv) other usual or necessary provisions, and

v) bad debts written off.

II. The Bank has modified its accounting policies pertaining to Investments, Provision for Doubtful Advances and Revenue Recognition in accordance with the guidelines prescribed by the Reserve Bank of India. The impact of the changes in accounting policies on the profit for the year is not significant.

III. Previous year's figures have been regrouped/rearranged wherever necessary.

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

BOMBAY BRANCH

Auditors' Report on the Indian Branch of Banque Indosuez under Section 30 of the Banking Regulation Act, 1949.

We have audited the attached Balance Sheet of the Indian branch of Banque Indosuez (incorporated in France with limited liability), as at 31 March, 1993 and the relative Profit and Loss Account of the Indian branch of the bank for the year ended on that date annexed thereto.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Section 211 of the Companies Act, 1956.

We report that:

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

(2) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian branch of the bank.

(3) In our opinion, proper books of account as required by law, have been kept by the Indian branch of the bank so far as appears from our examination of these books.

(4) The above mentioned Balance Sheet and Profit and Loss Account of the Indian branch of the bank dealt with by this report are in agreement with the books of account.

(5) In our opinion and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian branch of the bank as at 31 March, 1993 and the Profit and Loss Account gives a true and fair view of the profit of the Indian branch of the bank for the year ended on that date.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
V R MEHTA
Partner

Bombay
Dated. June 30,1993

Scotiabank

THE BANK OF NOVA SCOTIA

(Incorporated with Limited Liability in Canada)

BALANCE SHEET OF THE INDIAN BRANCH AS AT CLOSE OF BUSINESS ON MARCH 31, 1993

Rupees (000's omitted)

	Schedule	As on 31 3 93 (Current Year)	As on 31 3 92 (Previous Year)
CAPITAL AND LIABILITIES			
Capital	1	163,950	2,100
Reserves and Surplus	2	58,089	26,541
Deposits	3	655,678	603,796
Borrowings	4	1,613,855	1,233,973
Other liabilities and provisions	5	63,654	67,953
TOTAL		2,555,226	1,934,363
ASSETS			
Cash and balances with Reserve Bank of India	6	21,610	87,362
Balances with banks and money at call and short notice	7	6,748	16,119
Investments	8	744 214	220,995
Advances	9	2,137,898	1,533,956
Fixed Assets	10	14,034	12,056
Other Assets	11	130 722	63 875
TOTAL		2,555,226	1,934,363
Contingent Liabilities	12	6,671,226	4,669,125
Bills for Collection		19,120	136,101
Notes	17		

The schedules referred to above form an integral part of the Balance Sheet

Signatures to the Balance Sheet and Schedules 1 to 12 and 17

As per our report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/
K M ELAVIA
Partner

Bombay June 30, 1993

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCH FOR THE YEAR ENDED MARCH 31, 1993

Rupees (000's omitted)

	Schedule	Year ended 31 3 93 (Current Year)	Year ended 31 3 92 (Previous Year)
I INCOME			
Interest earned	13	353,336	235,177
Other income	14	33,375	41,303
TOTAL		386,711	276,480
II. EXPENDITURE			
Interest expended	15	243,338	186,914
Operating expenses	16	26,350	23,013
Provisions and contingencies		85,475	50,734
TOTAL		355,163	260,661
III PROFIT/LOSS			
Net profit for the year		31,548	15,819
Profit brought forward		16,264	23,327
TOTAL		47,812	39,146
IV APPROPRIATIONS			
Transfer to statutory reserves		6,310	3,164
Balance carried over to Balance Sheet		41,502	35,982
TOTAL		47,812	39,146
Notes	17		

The schedules referred to above form an integral part of the Profit and Loss Account

Signatures to the Profit and Loss Account and Schedules 13 to 17

Sd/-
BHASKAR DESAI
Deputy Manager

Scotiabank

THE BANK OF NOVA SCOTIA

(Incorporated with Limited Liability in Canada)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 1993

	Rupees (000's omitted)	
	As on 31.3.93 (Current Year)	As on 31.3.92 (Previous Year)
Schedule 1—Capital		
I Capital		
Balance as on 1.4.92	2,100	2,100
Additional capital brought in by Head Office during the year	161,850	Nil
TOTAL	163,950	2,100
Schedule 2—Reserves and Surplus		
I. Statutory Reserves		
Opening Balance	10,277	7,113
Additions during the year	6,310	3,164
TOTAL	16,587	10,277
II Balance in Profit and Loss Account		
Balance as per last balance sheet	16,264	23,327
Add: Profit for the year as per Profit and Loss Account	31,548	15,819
Less: Transferred to statutory reserves	6,310	3,164
TOTAL	41,502	35,982
Less Transferred to Head Office	Nil	19,718
TOTAL	41,502	16,264
GRAND TOTAL (I and II)	58,089	26,541
Schedule 3—Deposits		
A. I. Demand Deposits		
i) From Banks	17,399	9,641
ii) From Others	99,280	65,162
II. Savings Bank Deposits	16,592	8,242
III. Term Deposits		
i) From Banks	382,500	382,500
ii) From Others	139,907	138,251
TOTAL (I, II and III)	655,678	603,796
B I. Deposits of Branches in India	655,678	603,796
II. Deposits of Branches Outside India	Nil	Nil
TOTAL	655,678	603,796

	Rupees (000's omitted)	
	As on 31.3.93 (Current Year)	As on 31.3.92 (Previous Year)
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	773,836	171,871
ii) Other Banks	490,000	150,000
iii) Other Institutions and Agencies	349,206	912,102
II Borrowings Outside India	813	Nil
TOTAL (I and II)	1,613,855	1,233,973
Secured borrowings included in I and II above	Nil	Nil
Schedule 5—Other Liabilities and Provisions		
I. Bills Payable	17,619	20,227
II. Accrued Interest	24,934	17,059
III. Others (including provisions)	21,101	30,667
TOTAL	63,654	67,953
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	1,847	842
II Balances with Reserve Bank of India		
i) In Current Accounts	19,763	86,520
ii) In Other Accounts	Nil	Nil
TOTAL (I and II)	21,610	87,362
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with Banks		
a) In Current Accounts	3,421	14,226
b) In Other Deposit Accounts	Nil	Nil
ii) Money at Call and Short Notice		
a) With Banks	Nil	Nil
b) With Other Institutions	Nil	Nil
TOTAL (i and ii)	3,421	14,226
II. Outside India		
i) In Current Accounts	3,327	1,893
ii) In other Deposit Accounts	Nil	Nil
iii) Money at Call and Short Notice	Nil	Nil
TOTAL (i, ii and iii)	3,327	1,893
GRAND TOTAL (I and II)	6,748	16,119

Note: Amount of deposit kept with the Reserve Bank of India under section 11(2) of The Banking Regulation Act, 1949, (including capital) is Rupees One crore fortythree lac (P.Y. Rupees One crore fifteen lac). Market value of the security lodged Rupees One crore thirtyeight lac eighty thousand (PY Rupees One crore fourteen lac nine thousand)

Scotiabank

THE BANK OF NOVA SCOTIA

(Incorporated with Limited Liability in Canada)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 1993

	Rupees (000's omitted)	
	As on 31.3.93 (Current Year)	As on 31.3.92 (Previous Year)
Schedule 8—Investments		
I. Investments in India in		
i) Government Securities	242,500	209,695
ii) Other Approved Securities	1,714	11,300
iii) Shares	Nil	Nil
iv) Debentures and Bonds	Nil	Nil
v) Subsidiaries and/or joint ventures in India	Nil	Nil
vi) Others	Nil	Nil
TOTAL	244,214	220,995
II. Investments outside India in		
i) Government Securities	Nil	Nil
ii) Subsidiaries and/or Joint Ventures abroad	Nil	Nil
iii) Other Investments	Nil	Nil
TOTAL	Nil	Nil
GRAND TOTAL (I and II)	244,214	220,995
Schedule 9—Advances		
A. i) Bills purchased and discounted	965,017	956,547
ii) Cash credits, overdrafts and loans repayable on demand	1,157,446	552,735
iii) Term loans	15,435	24,674
TOTAL	2,137,898	1,533,956
B. i) Secured by tangible assets	446,976	526,283
ii) Covered by Bank/ Government Guarantees	576,036	116,776
iii) Unsecured	*1,114,886*	*890,897*
TOTAL	2,137,898	1,533,956
C. I. Advances in India		
i) Priority Sector	92,102	56,747
ii) Public Sector	Nil	Nil
iii) Banks	1,216,453	599,404
iv) Others	829,343	877,805
TOTAL	2,137,898	1,533,956
II. Advances outside India		
i) Due from banks	Nil	Nil
ii) Due from others		
a) Bills discounted and *purchased*	Nil	Nil
b) Syndicated loans	*Nil*	*Nil*
c) Others	Nil	Nil
TOTAL	Nil	Nil
GRAND TOTAL (C. I and II)	2,137,898	1,533,956

	Rupees (000's omitted)	
	As on 31.3.93 (Current Year)	As on 31.3.92 (Previous Year)
Schedule 10—Fixed Assets		
I. Premises		
At cost as on 31st March of the preceding year	12,284	12,283
Additions during the year	Nil	Nil
Deductions during the year	Nil	Nil
Depreciation to date	4,704	4,305
TOTAL	7,580	7,978
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	8,861	7,627
Additions during the year	4,619	2,074
Deductions during the year	3,094	840
Depreciation to date	3,932	4,783
TOTAL	6,454	4,078
GRAND TOTAL (I and II)	14,034	12,056
Schedule 11—Other Assets		
I. Inter-office adjustments (net)	26,435	(6,621)
II. Interest Accrued	59,983	31,125
III. Tax paid in advance/tax deducted at source	Nil	Nil
IV. Stationery and Stamps	9	37
V. Non-banking assets acquired in satisfaction of claims	Nil	Nil
VI. Others	44,295	39,334
TOTAL	130,722	63,875
***Schedule 12—Contingent* Liabilities**		
I. Claims against the bank not acknowledged as debts	Nil	Nil
II. Liability for partly paid investments	Nil	Nil
III. Liability on account of outstanding forward exchange contracts	5,277,452	3,392,554
IV. Guarantees given on behalf of constituents		
i) In India	79,182	88,148
ii) Outside India	Nil	Nil
V. Acceptances, endorsements and other obligations	538,592	388,423
VI. Other items for which the bank is contingently liable—		
Bills Rediscounted	776,000	800,000
TOTAL	6,671,226	4,669,125

Scotiabank

THE BANK OF NOVA SCOTIA

(Incorporated with Limited Liability in Canada)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1993

	Rupees (000's omitted)	
	Year ended 31 3 93 (Current Year)	Year ended 31 3 92 (Previous Year)
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	319,080	209,432
II Income on investments	23,851	15,453
III Interest on balances with Reserve Bank of India and other inter bank funds	5,650	7,763
IV Others	4,755	2,529
TOTAL	353,336	235,177
Schedule 14—Other Income		
I Commission, exchange and brokerage	17,197	12,397
II Profit on sale of investments	Nil	652
Less Loss on sale of investments	(232)	Nil
III Profit on revaluation of investments	Nil	Nil
Less Loss on revaluation of investments	(222)	(140)
IV Profit on sale of land, buildings and other assets	Nil	Nil
Less Loss on sale of land, buildings and other assets	(658)	(325)
V Profit on exchange transactions (net of brokerage)	17,290	28,719
Less Loss on exchange transactions	Nil	Nil
VI Income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	Nil	Nil
VII Miscellaneous income	Nil	Nil
TOTAL	33,375	41,303
Schedule 15—Interest Expended		
I Interest on deposits	36,005	32,337
II Interest on Reserve Bank of India/inter-bank borrowings	207,259	151,658
III Other	74	2,919
TOTAL	243,338	186,914

	Rupees (000's omitted)	
	Year ended 31 3 93 (Current (Year)	Year ended 31 3 92 (Previous Year)
Schedule 16—Operating Expenses		
I Payments to and provisions for employees	8,491	6,920
II Rent, taxes and lighting	1,127	931
III Printing and stationery	1,030	662
IV Advertisement and publicity	131	29
V Depreciation on bank's property	1,849	1,042
VI Directors fees, allowances and expenses	16	17
VII Auditors' fees, and expenses	103	60
VIII Law charges	51	64
IX Postages, telegrams, telephones, etc.	3,422	2,495
X Repairs and maintenance	758	2,182
XI Insurance	201	297
XII Other expenditure	9,171	8,314
TOTAL	26,350	23,013

Scotiabank

THE BANK OF NOVA SCOTIA

(Incorporated with Limited Liability in Canada)

Schedule 17—Significant Accounting Policies and Notes:

1 These accounts are based on the historical cost convention and are drawn up on the going concern' concept

2 Revenues are accounted for on accrual basis except the following items which are accounted for on cash basis
   i) interest and other income on advances classified as non performing according to the prudential accounting norms issued by the Reserve Bank of India,
   ii) interest and other income on non accrual advances classified as such by the bank
   iii) overdue interest on bills discounted,
   iv) guarantee commission,
   v) commission on foreign exchange forward contracts

3 Expenses are generally accounted for on accrual basis

4 Foreign Currencies

Revenues earned and expenses incurred in foreign currencies are translated for the period ended October 31 at the rate of exchange current as at October 31 and for the period from November 1 to the Balance Sheet date at the rate of exchange current as at the Balance Sheet date. Interest paid on Foreign Currency Non Resident Deposits is translated at the rate of exchange at which the relative deposit is translated All other transactions during the year are translated at rate of exchange current as at the date of the transaction

Assets and Liabilities in foreign currencies, including unmatured foreign exchange forward contracts, acceptances, endorsements and other obligations and guarantees are translated into Indian Rupees at rates of exchange current as at the Balance Sheet date as specified by the Reserve Bank of India Resultant gains or losses are taken to the Profit and Loss Account As per the present practice of banks in India, the Foreign Currency Non-Resident Account balances and Post Shipment Credit denominated in Foreign Currency balances are valued as at the Balance Sheet date at the rates specified by the Reserve Bank of India at the date of the transaction and not at the currency rates current as at the Balance Sheet date.

5 Investments

The bank values all investments at the lower of the aggregate of the market values and the purchase costs after amortisation of premium or accretion of discount from the date of purchase to the date of maturity of the investment Resultant gains or losses are taken to the Profit and Loss Account

6 Fixed Assets

Depreciation is on a written down value method, based on the written down value arrived at on October 31 of the accounting year, being the date as at which the corporate Balance Sheet of the Bank is drawn up, at the rates specified in Schedule XIV of the Companies Act, 1956

As per an agreement with the joint owner of certain premises, the bank exercised the firm and absolute option to purchase the said premises from the joint owner for a consideration of Rs 1,100 thousand together with interest upto the date of the exercise of such option by the bank Certain disputes have been raised by the joint owner and pending resolution of these disputes by the court, no adjustments have been made in the accounts for the aforesaid amount and interest thereon

7 Advances
   i) Provisions for doubtful advances have been made to the satisfaction of the auditors in respect of all advances identified as non-performing as per the norms prescribed by the Reserve Bank of India
   ii) Provisions have been made on a gross basis Tax relief which will be available when the advance is written off will be accounted for in the year of write off

8 Net Profit

The net profit disclosed in the Profit and Loss Account is after
   i) provisions for taxes on income in accordance with statutory requirements,
   ii) provisions for doubtful advances,
   iii) adjustments to the value of investment in Government and Other Approved Securities in India valued on the basis stated in Note 5 above,
   iv) other usual and necessary provisions,
   v) reversal of provisions made in earlier years no longer required

9 Head Office expenses of past years amounting to Rs 5,400 thousand will be accounted for as and when the remittance is allowed by the Reserve Bank of India

10 Previous year's figures have been regrouped and reclassified wherever, and to the extent, practicable.

Scotiabank
THE BANK OF NOVA SCOTIA
(Incorporated with Limited Liability in Canada)

Auditor's Report on the Indian Branch of The Bank of Nova Scotia under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Indian Branch of The Bank of Nova Scotia, incorporated in Canada with limited liability, as at March 31, 1993 and the relative Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date annexed thereto.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Section 211 of the Companies Act, 1956.

We report that:

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

(2) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branch of the Bank.

(3) In our opinion, proper books of account as required by law, have been kept by the Indian Branch of the Bank so far as appears from our examination of these books.

(4) The abovementioned Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account.

(5) In our opinion, and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for banking companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branch of the Bank as at March 31, 1993 and the Profit and Loss Account gives a true and fair view of the profit of the Indian Branch of the Bank for the year ended on that date.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
Partner

Bombay
Dated. June 30, 1993

Economic Value of Breast-feeding in India

Arun Gupta
Jon E. Rohde

This article reviews the macro economics of infant feeding and attempts to calculate the economic value of lactation in Indian mothers

THE importance of mother milk to the health and nutrition of infants is universally recognised [1]. Breast feeding is associated with reduction in infectious diseases, improved survival, better nutrition, reduced development of allergic illness, improved psycho-social bonding and overall better health in the infant and young child. The lactating mother enjoys immediate benefit from reduced bleeding in the post partum period [2], a long term reduction of cancer risk of both breast and ovary [3, 4], and the psychological benefit attendant with successful lactation. It is now recognised that exclusive and prolonged lactation provides more reduced fecundity than use of all modern methods of family planning [5]. For the individual woman, exclusive breast feeding can provide six months or more of effective contraception, provided menses do not return before this time [6]. In lactating populations, the lowered fecundity extends for the average woman beyond a year reaching 18 months or more in Bangladesh, Indonesia and other rural populations [7]. All of these effects of lactation on health, nutrition and fertility are reason alone for individual mothers to choose breast feeding for their child as well as for communities and societies to advocate exclusive breast feeding for the first four to six months of life and continuation well into the second year as a desirable social norm.

In addition to these benefits, mother milk makes a substantial contribution to the economy of most developing countries. Conventional approaches to measuring national income and GNP take little account of the informal sector and especially the non-market economy. As breast milk is neither traded nor priced, its economic value is lost to economists and planners. In this paper we calculate the milk production capacity and estimates of actual lactation by Indian mothers. We calculate the quantity and cost of animal milk which would be required if this lactation were reduced or altogether terminated. The value of animal milk or of processed infant formula is compared to various other products in the national economy as well as to government outlays in the public sector. Additionally, we estimate the number of animals, pasturage, and other related costs associated with a switch from mother milk to animal milk for feeding Indian infants. We review the micro economics of infant feeding as viewed from the perspective of the family, indicating the cost of artificial feeding and the full savings afforded to the individual family by a mother who breast feeds.

Considering the substantial protection which breast feeding provides from diarrhoea, we have calculated the estimated reduction in diarrhoeal episodes afforded by mother milk and the cost of treating the episodes if other feeding methods were to prevail. In addition, we have calculated the economic value of the fertility reduction afforded by breast feeding under current patterns in India.

These calculations offer a conservative estimate of the value of human milk to the Indian economy and demonstrate dramatically in terms that can be understood by economists, planners and other non-health professionals the important national resource which mother milk represents.

Calculations and Results

Breast milk production capacity is the estimated volume of breast milk which could be produced if all women lactated fully. Table 1 shows estimated daily volume of breast milk by age of the child from different parts of the world [8, 9]. Taking a conservative lower daily production estimate it is assumed that an Indian mother would produce about 600 ml per day during the first six months, 500 ml per day during seven to 12 months and about 400 ml per day during 13 to 24 months. Thus over two years, production would be 346 litres per child.

Various calculations relating to annual production capacity by Indian mothers is shown in Table 2. From the production capacity by age of the child and the surviving number of children in each age group is calculated the total theoretical production capacity, roughly 8,000 million litres per year. This capacity is diminished by the small per cent of women who could not lactate, estimated in the next line, which would give an annual potential production of 6,800 litres. However not all women who can, do lactate and the production is further diminished by the percentage of women who actually do not breast feed their child. Table 3 shows data from various studies in India used to estimate the percentage of infants receiving breast milk by age and rural or urban residence [10, 11, 12, 13]. The consolidated estimates of per cent lactation from Table 2 provide the basis for calculation of the 'annual realistic production by Indian mothers'. Calculated separately for rural (70 per cent of population) and urban (30 per cent of population), the total annual realistic production is 4,411 million litres. Even this production is further reduced by the simultaneous use of supplementary milk formula or top feeds. Based on various studies [10-12] it is found that 50 per cent of children are given additional bottle feeds during the first six months and nearly 70 per cent or more from that age onward. This is assumed to result in a loss of breast milk production as a result of decreased breast stimulation. As frequent suckling usually continues even in these cases, we assume a reduction in breast milk production (for mothers who give milk supplements) of 25 per cent in the first six months, 50 per cent in the second half of infancy and 75 per cent in the second year. In the absence of experimental data these estimated losses are more an educated guess by experienced observers and could be readily modified by the curious reader. Breast milk production loss associated with unnecessary top feeds is thus estimated at nearly 1,100 million litres. Thus we estimate the grand total of breast milk produced annually in India at 3,316 million litres per year. This contrasts to a potential production of more than twice that amount.

This magnitude of mother milk production can be appreciated by comparison with the entire national production of milk from India's extensive dairy industry. Total milk production for 1992 is estimated at 57,000 million litres of which 46 per cent is available as liquid animal milk: 26,220 million litres [14]. Thus mothers are providing a quantity of milk some 12.6 per cent of total national milk production. Valued at the cost of fresh animal milk Rs 9 per litre, mother milk would have a market value of Rs 2,984.4 crore. Were it replaced by tinned powder milk at a cost of Rs 18 per litre the value doubles to Rs 5,968.4 crore. Were the milk to be imported to replace mother milk, this should require over US $ 2,300 million in foreign exchange.

No doubt, human milk does not come without cost. However the efficiency of conversion of common foods to human milk is extremely high (Table 4). This simple calculation shows the market price for food required for a mother to produce 1 litre of milk is Rs 3.3. Thus, the food cost of mothers producing 3,300 million litres annually is some Rs 1,090 crore. Were Indian women to cease using top milk for infants

Table 1: Breast Milk Production by Age

(ml)

Age in Months	1-6	7-12	13-24
Western countries	750		
Asian countries	530-730	600	480

and produce their realistic potential of 4,400 million litres, the production cost of Rs 1,452 crore would be reduced from the equivalent value of powdered milk, Rs 7,920 crore, for a net value of human milk production of some Rs 6,500 crore each year

Table 5 places the value of human milk, priced at the cost of powdered milk, in the overall context of the national economy. This, comparable to major central plan outlays in various development sectors, exceeds the value of important food exports such as tea or coffee by a factor of five or more and is roughly equivalent to the import of petroleum products in a single fiscal year. Mother milk production each year has an economic value similar to the combined health and family welfare sector outlays throughout the five years of the Seventh Plan. Imported milk and cream products would increase over 100-fold were Indian mothers to insist on imported formulae to replace their breast milk, a cost exceeding even imported petroleum and oil [15, 16].

The tremendous economic value of mother milk to the nation is reflected in calculations at the household level as well Viewed from the perspective of the individual family, the costs of bottle-feeding are substantial (Table 6). Some Rs 450 is required to feed a healthy infant each month without calculating the time costs of preparing infant formula. This is equivalent to 50 per cent of the minimum wage for an urban worker and 25 per cent of the income of a class IV employee, one-third of the salary of a private company steno and 10 per cent of the salary of a class II officer. Thus, the substantial cost of artificially feeding an infant must be considered carefully while calculating the household economy of women in the work place. Those who opt for the difficult and undesirable method of bottle-feeding in order to seek work outside the home, may be gaining small fiscal benefit at considerable health and nutritional risk to the infant.

It is not economic costs alone but also substantial environmental pressures which

TABLE 3: PERCENTAGE OF INFANTS RECEIVING BREAST MILK AS PER DIFFERENT INDIAN STUDIES

Months		0-6	7-12	13-18	>18
Gupta et al (per cent)	(R+U)	81	73		
Walia et al	U	77	49		
Gopalan	U	91	77		
	R	90	90		
WHO	U	72	[illegible]	17.3	7
	R	98.3	71.3	23.3	6
Consolidated Estimate	R	89	78	15	
	U	80	67	13	

R = rural, U = urban

TABLE 4: COST OF FOOD INPUT TO MAKE ONE LITRE OF HUMAN MILK

	Wt gms	Calories	Proteins	Market price Cost (Rs)
Rice	185	665	14	2.9
Soya	18	77	8	0.4
Efficiency of conversion		0.9	0.55	
One litre human milk		660	12 gms	3.3

TABLE 5: NET VALUE OF HUMAN MILK

(Rs in crore)

Net Value of Human Milk if Priced at Powdered Milk	6,500
Central Plan Outlays	
Agriculture and allied activities 1992-93	1,879
Rural development 1992-93	2,610
Communications 1992-93	4,890
Railways 1992-93	5,700
Power generation 1992-93	6,411
7th plan health sector outlay (5 years)	3,392
7th plan family welfare outlay (5 years)	4,256
Family welfare 1992-93	1,099
Exports	
Tea (89-90)	904
Coffee (89-90)	342
Imports	
Petroleum products (89-90)	6,274
Milk and cream products (89-90)	56
Foreign currency reserves 1990-91	4,388

Source: Planning Commission and Customs at Glance 1990 [15], *Economic Survey 1990-1991* [16]

TABLE 2: DATA ON BREAST MILK PRODUCED

		Age of Child			Total
		0-6	7-12	13-24	
Production capacity per child (litres)		109	91	146	346 litres/child
Surviving children (million)		25	23.5	22	
Total production (million litres)		2725	2138	3212	8075 Annual theoretical capacity
Potential lactation (per cent lactating)		95	85	75	
Potential production (million litres		2588	1818	2409	6800 Annual potential
Realistic lactation (per cent actually BF)	rural	89	78	15	
	urban	80	67	13	
Realistic production (million litres)	rural	1697	1168	337	3202]-4411 Annual realistic potential
	urban	654	430	125	1209]
reast milk loss due to (top feed) (per cent)		25	50	75	
er cent breast-fed using to feed		59	70	70	
reast milk loss (million litres)	rural	208	409	177	794] 1095-Annual loss due to top feeds
	urban	85	150	66	301]

otal breast milk produced in India annually is 3316 million litres.

would result were mother milk not available. Today to produce the roughly 1,000 million litres of milk which are lost due to supplementary top feeds, roughly 15 lakh animals are required. (Taking the average two litres per day per animal yield of national estimates.) Were high-yielding animals available producing 10 kg per day still three lakh animals would be required who would need some 75,000 acres of land for adequate grazing. Daily maintenance costs and grazing fee could exceed Rs 500 crore [14].

Even today, with wide use of bottle feeds in addition to breast milk, the fuel required to boil water to feed 10 million babies on infant formula is tremendous. At 7 kg of wood required annually to prepare the feed for one baby [17] costing Rs 110, over 100 crore worth of firewood is consumed each year, thus levelling huge forests. Bottles and nipples require a further investment of year of life with no added morbidity in older ages. Thus, the added cost in health care for diarrhoea associated with bottle-feeding may reach upward from this estimate of nearly Rs 200 crore to something exceeding Rs 1,000 crore per year or even more. Breast-feeding avoids this needless expense.

Breast-feeding is known to cause reduced fecundity for many months. While it may not be a reliable means of contraception beyond six months of exclusive lactation, reduced fecundity is seen in populations for periods ranging upwards of 12 months where lactation is extensive and widely practised [20]. Studies have calculated that breast feeding contributes more to the length of post-partum, sub-fecundity than all methods of family planning combined. In one recent study it was estimated that breast-feeding is responsible for reducing the potential fertility by 30 per cent throughout Asia [7]. If the current duration of breast-feeding fell by one-half, it was estimated that total fertility could increase by 17 to 37 per cent in different countries of the region [7]. In India, the median duration of lactation is about 10 months with an average lactational amenorrhoea of eight months [12]. Thus, lactational amenorrhoea provides some 16.5 million couple protection years to the family planning effort. This makes lactation amenorrhoea the top contraceptive in the country exceeding IUDs and sterilisation, each by a factor of four (Table 7). The cost of the family planning programme is some Rs 650 crore per year and the cost per couple year of protection is estimated at Rs 300. Thus, the value to the family planning programme of 16.5 million couple protection years from lactational amenorrhoea amounts to Rs 495 crore, nearly half of the family welfare budget.

There are numerous other benefits which could be monetised. Better growth, avoidance of other illnesses in the infant and mother, psychologic bonding with later development and behavioural benefits are all of immense value, but difficult to calculate in fiscal terms. But the value of mother's milk to the economy is obvious from the cost of replacing it with cow milk, from the Rs 276 crore (assuming one bottle and two nipples used per month costing Rs 20 and Rs 1.50 respectively). More than 360 million tin packs of 500 gms each are required and would be discarded as waste into the environment each year. Obviously, the cost today in fuel, environment, needless investment in feeding-bottles and unnecessary pollution are further reasons to support full breast feeding by Indian mothers.

Breast-feeding contributes extensively to improved health of the young child. The incidence of diarrhoea may be from three to 14 times higher in bottle-fed versus breast-fed children [18]. Here we calculate the costs involved in treating only one additional episode of diarrhoea for each child, a most conservative estimate by any measure. While breast-feeding also reduces the incidence of ARI, malnutrition, cancer risks in the mother and has many more health advantages, these will not be calculated but are of substantial economic as well as health benefit.

Each child in India suffers an estimated 1.6 episodes of diarrhoea per year, each episode costing an average of Rs 30 for treatment sought at the village level [19]. If the child requires hospitalisation an estimate of Rs 400 per day is reasonable. While most studies show an increase of diarrhoea incidence by a factor of three to 10 or more, let us calculate the cost of adding even one episode per year to each infant, a total of 25 million additional episodes of diarrhoea. National studies have shown that more than 65 per cent of families seek treatment outside of the home for an average episode of diarrhoea. At Rs 30 per episode some Rs 48 crore would be expended for their treatment. If 10 per cent are hospitalised for two days, i e, 1.6 million infants, the cost of treatment is a further Rs 128 crore. The savings from reduction of one episode of diarrhoea in each infant alone exceeds the annual health allocation in the last Five-Year Plan for all programmes in child health of about Rs 144 crore. But this estimate is made only on the basis of assuming one extra episode per infant in the first environmental pressures that would result, and from the increased costs of health services and fertility control which would be required in the absence of widespread lactation in India.

TABLE 6: COST PER MONTH

Material	Cost in Rs
Feeding bottles (2 per month)	40
Nipples (4 per month)	4
Fuel (6-7 kgs)	10
Milk 22 litres	396
Total	450

TABLE 7: USE OF FAMILY PLANNING METHODS IN 1990 IN INDIA

Method	Estimated Users (millions)	Effectiveness	Couple Years Protection (CYP)
Lactation Amenorrhoea (LAM)	25	0.66	16.5
Condom	15	0.7	10.3
Oral pills	12	0.9	2.8
Intra uterine devices	5	0.86	4.5
Sterilisations (annual)	4.1	0.98	4.0

DISCUSSIONS

The calculations of milk production capacity of Indian mothers in this article have been based on data from numerous studies, surveys and research projects. We have endeavoured to use the most conservative figures by which calculation, the potential production of breast milk by Indian mothers through 24 months of lactation is about 350 litres. This represents the average capacity of each mother were she to follow optimal feeding patterns including exclusive breast feeding for the first six months, timely introduction of food supplements and continuation of regular breast-feeding until the child reached 24 months of age. Recognising that some mothers would be unwilling or unable to breast-feed, these estimates have been suitably reduced (Table 2), showing the total potential production of breast milk per year of some 6,800 million litres. This potential production level is, however, not even today being reached, as a result of lower levels of breast-feeding in both urban and rural populations. Recent studies have been reviewed from which the average current level of lactation by age of infant is shown in Table 3. Using this data, we calculate that were all Indian mothers to follow rural patterns of lactation, the total production would be some 4,575 million litres per year. Were all mothers in India to follow the urban pattern, this would be reduced to 4,030 million litres per year. Overall current production is estimated much less than either of these figures due to the already widespread current use of top milk by Indian mothers. Estimates on Table 2 indicate that more than 1,000 million litres of top milk are presently being used, much of it from animal milk, the rest processed powder milk. The value of this powder milk alone is Rs 1,800 crore, an expenditure which would be unnecessary, if mothers fully breast-fed to their capacity. Thus, current production of breast milk by Indian mothers is conservatively estimated at about 3,300 million litres. This is less than half of the potential if full breast-feeding were maintained.

The value of this milk expressed in terms of fresh animal milk (approximately Rs 3,000 crore) or in terms of powder milk (approximately Rs 6,000 crore) is tremendous. It can

be seen that under present practices, the value of nearly Rs 2,000 crore is being lost as a result of sub-optimal breast-feeding and use of top feeds.

The extensive contribution of mother milk to the entire national milk production is unrecognised. Women have a potential of contributing fully 26 per cent of the current liquid milk available in India. This falls to nearly 13 per cent when one projects the likely milk production presently by mothers as a result of sub-optimal feeding and the use of top milk. Considering that estimated milk requirements by the year 2000 is 73,000 million litres [14] the contribution of mother milk to this major production challenge is substantial.

The cost of human milk production should, of course, be considered. In Table 4, we calculate the raw materials in the diet and efficiency of conversion to make a litre of mother milk. Assuming these inputs to cost some Rs 3.3, the cost of production of 4,400 million litres, is Rs 1,452 crore. So the net value of human milk presently being produced is about Rs 6,500 crore. This is valuing human milk at the price of powder milk in the market, even though there is no question that human milk has many more advantages, is more nutritious and provides immune protection for the child.

Table 5 provides an interesting comparison of the economic value of milk with other services and products in the Indian economy. We see in the table that the annual value of milk production is comparable or indeed exceeds many of the central plan outlays in major sectors of the economy. It is roughly equivalent to the combined health and family welfare sectors of the Seventh Five-Year Plan. Its economic value would appear to be similar to that of petroleum imports and roughly equivalent to the total national foreign currency rerserves 1990-91.

The decline in breast-feeding, often seen with urbanisation and already underway in this country, must be made good with increased production of animal milk. We have shown that with average national yields, the requirement for animals in terms of capital, land and processing cost of animal milk that would be required to replace 1,000 million litres mother milk in the national economy are: 75,000 acres of land, Rs 300 crore of capital and another Rs 500 crore in simple recurring cost.

In the economy of a single family, the individual costs for feeding-bottles, nipples, fuel and milk, consume roughly 50 per cent of the minimum wage of an urban worker. This ignores the cost to the family of increased illness and, in many cases, nutritional deterioration. The cost of not breast feeding is a substantial burden on all but the wealthiest families.

But breast-feeding offers more than the economic value of the milk that is produced. Breast-feeding improves health and is shown to reduce diarrhoea rates anywhere from three to 14 times by comparison with bottle-fed babies. We have made calculations of the extra money that would be required to treat diarrhoea, not even considering the worse outcome and increased number of deaths that would be associated if mother milk is all replaced by bottle-feeding. Not only the Rs 176 crore of additional public expenditure on treating these cases but the obvious increase in morbidity, malnutrition and eventual death show the dramatic value of breast milk to the health system.

Finally it is been pointed out by many observers that throughout much of world, fertility reduction associated with lactation contributes more to reduced fecundity than all the modern contraceptives put together. Calculations in Table 7 show the importance of lactational amenorrhoea to overall couple protection in India. Again the effectiveness of breast-feeding in providing nearly 17 million couple protection years is comparable to the entire investment in family planning methods in India in 1990. The cost of this protection at current rates would be nearly Rs 500 crore.

Replacing breast milk with any other feeding method for infants and young children results in high costs to the individual families, to the society, and to the overall economy. Replacement feeding methods place stress on the environment, contribute to environmental pollution, and directly exacerbate population pressures through increased fecundity in the young child-bearing population. A move away from mother's milk entails extensive health costs, even for those who do survive. This national resource is currently severely threatened by trends in modernisation and urbanisation towards bottle-feeding. These are not only physiologically undesirable and place our youngest citizens at high risk of illness and death but they cost the economy substantially. All efforts to preserve, promote and encourage breast-feeding should be taken and every measure necessary to reduce the regrettable trend towards bottle-feeding in our country is in order [21]. Appropriate legislation should be enacted immediately to protect the public from the onslaught of commercial interests attempting to replace mother milk with expensive, less nutritious, and more dangerous substitutes. Mother milk is indeed a major national resource of India.

[The opinions expressed in this article are those of the authors and do not necessarily reflect policies or programmes of their employing organisations. We wish to acknowledge the secretarial help rendered by Uma Shankar and Dorothy Rodrigues.]

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Exchange Rate Dynamics
Case of Dollar

Ranjit Sau

We have derived a first-order non-linear difference equation for exchange rate. In theory it generates a very complex dynamics. The equation is estimated with quarterly data of US dollar relative to the SDR, 1974-1991. It is utilised to forecast the value of dollar up to the first quarter of 1995. The dollar, it appears, will be in the upswing in the near future. It will remain all through at a higher level than presently. Hence, the Indian rupee, if made fully convertible, would depreciate relative to dollar.

THE Indian economy is being opened up for greater integration with the outside world. The finance minister has announced India's intention to make the rupee fully convertible as soon as the conditions permit. Exchange rate is a link that binds different parts of the world economy. The currency crisis that had gripped Europe on the eve of the French referendum on the Maastricht treaty has raised many a question once again. Is the exchange market stable? Does it ensure efficiency in some sense? What are the laws that govern the course of a currency? Is the post-1973 experience of floating exchange rates disappointing? Answer to these questions is very relevant for us today as India awaits full convertibility of rupee.

Elsewhere [Sau 1992] we have derived a first-order non-linear difference equation for the exchange rate. The basic model has certain Keynesian and Ricardian features: Keynesian, for it is the saving-investment imbalance that drives the system: Ricardian, for investment responds to the rate of profit as distinct from the rate of interest. The motion of exchange rate is found, in theory, to be highly complicated, necessarily on the verge of being what is called 'chaotic' Devaney 1989]. This paper puts that model into empirical test with the quarterly data of the US dollar. Statistical results seem to be promising.

Section I gives the fundamental equation for exchange rate, and enumerates its properties. Section II shows the statistical results with data from the first quarter of 1974 to the fourth quarter of 1991, that is, 72 observations in all. We have also made forecast of the value of Special Drawing Rights (SDR) in terms of the US dollar up to the first quarter of 1995. Section III has a few concluding remarks.

I
'Near-Chaos'

Consider a Keynesian short period, say, one 'year'. Let that one year be divided into a number of 'days', indexed by t (t = 0, 1, 2, ...T). Saving is internationalised [McCulloch 1983:10] in that it is invested in various parts of the world every day such that the marginal rate of profit is equalised across national economies [Whitman 1981]. The exchange rate, defined as the price of foreign money in terms of domestic money, is assumed to change in step with the outflow of domestic savings for investment abroad.

Under such circumstances, we [Sau 1992] have shown that the movement of exchange rate is given by

(1) $e(t) = a.e(t-1) - b.e^2(t-1)$, $a, b > 0$

where e is the exchange rate. For the moment we shall assume that e is non-negative: later we shall consider only the positive values of the exchange rate. This quadratic mapping is the celebrated logistic equation. It can generate a wide variety of orbits depending upon the parameters and the initial value of the variable.

Obviously (1) is a parabola in $(e(t-1), e(t))$-space. Origin (0,0) is a point on it; it is a trivial solution. The axis of the parabola is vertical; and the vertex occurs at $(a/2b, a^2/4b)$. In other words,

(2) $\max e(t) = a^2/4b$

Furthermore, we note that where $\max - e(t-1)$ occurs we have $e(t) = 0$. Hence, from (1) it follows that

(3) $\max - e(t-1) = a/b$.

We know that e(t) and e(t-1) belong to the same set, say, E. Evidently, set E is bounded from above; it has a unique supremum. Thus

(4) $\max - e(t) = \max - e(t-1)$.

From (2), (3), and (4) we get

(5) $a = 4$.

That parameter a is necessarily equal to 4 has a very profound implication—it takes the system to the brink of chaos as we shall see in a moment.

Create a new variable x(t) as follows.

(6) $x(t) = b.e(t)/a$

(1) and (6) yield

(7) $x(t) = a.x(t-1)\{1 - x(t-1)\}$

In view of (3), (4) and (6) we conclude that

(8) $x(t) = e(t)/\max - e(t)$

So x(t) lies in the closed interval [0,1], given that e(t) is non-negative.

We consider only those cases where e(t) is strictly positive, never zero. Then x(t) belongs to the open interval (0,1). We put it in symbols.

(9) $0 < x(t) < 1$.

It is a standard theorem in non-linear dynamics that (7), subject to (9), can generate a diverse menu of trajectories. If parameter a is between 1 and 2, the path of x, hence, of e, is smoothly converging to a stable value. If a is between 2 and 3, the path is still converging, but oscillatory. As a crosses 3 the movement becomes increasingly complicated; and when it exceeds 4 we get chaos [Devaney 1989].[1] By (5) we know that in our model a is precisely equal to 4; hence we get not necessarily chaos, but the system is just on the verge of it. We call it 'near-chaos'. This points to a very strong result: All such quadratic mappings that are used in economic models necessarily display 'near-chaos'.[2]

II
Path of Dollar

The above model relates to 'days' within one Keynesian short period. All prices are fixed in domestic currency and kept constant. Thus the purchasing power parity (PPP) theory is held at bay. The interest rate also is given. Even then the exchange rate varies in our model in response to saving-investment imbalance from day to day. We have applied this simple model to a relatively long period of as many as 72 eventful quarters which had in fact witnessed some of the most dramatic price changes and record-breaking variations in the rate of interest. In reading the results

TABLE : PROJECTION OF EXCHANGE RATE

(US Dollars per unit of SDR)

Year Quarter	
Observed 1991-IV	1.43043
Projected	
1992 -I	1.40368
-II	1.38394
-III	1.36891
-IV	1.35721
1993 -I	1.34793
-II	1.34047
-III	1.33441
-IV	1.32946
1994 -I	1.32537
-II	1.32198
-III	1.31915
-IV	1.31679
1995 -I	1.31481

Equation (10) has been used for projection

of our statistical exercises this background has to be kept in view.

With data from *The International Financial Statistics* published by the International Monetary Fund, we have estimated (1) by the ordinary least squares method as follows:

$$(10)\quad e(t) = -0.6761 + 2.1839\ e(t-1) \quad (2.537)$$
$$0.5103\ e^2(t-1) \quad (-1.422)$$
$$\text{S.E.E.} = 0.0399,\ R^2 = 0.88,\ F = 246.977$$

where e(t) is the end-of-period price of the SDR in terms of the US dollar, and the numbers in parentheses are the t-values of coefficients. There is a constant term (−0.6761) in (10), but not in (1). What does it signify? The fundamental equation (1) is derived under the assumption of constant prices and interest rates. But over the long period 1974-1991 covered by (10), in fact, prices and interest rates had changed, and the parabola evidently had drifted to the right. What (10) captures is actually a set of points on a series of parabolas, each point being the position of the economy on a particular date. In (1) there is only one steady-state solution: $e = (a-1)/b$. But in (10) there are two steady-state solutions for the exchange rate, namely, 1.30389 and 1.01612.

In (10) the estimated value of parameter a is 2.1839, while in theory it is supposed to be precisely 4; see (5). In any case, our estimated value of a is statistically significant, having a very high t-value.[3] If this estimate of parameter a is acceptable, despite all the limitations including those mentioned above, we infer that a being greater than 2 but less than 3 the motion of the exchange rate of SDR in terms of dollar is converging but oscillatory. That is to say, dollar will fluctuate even if prices and interest rates are held constant in the world market. Using (10) we have made a projection for dollar up to the first quarter of 1995. The table shows the dollar price of SDR.

In 1974 the IMF adopted a procedure whereby the price of SDR is tied to a basket of several major currencies [Chrystal 1978:18]. So in equation (10) and also in the table essentially we get an average value of dollar in terms of a number of major currencies. This process of averaging must have taken away much of the erratic movements of dollar *vis-a-vis* other currencies individually. We have also estimated an equation using the average (geometric)-of-the-period data with the following result.

$$(11)\quad e(t) = -0.4062 + 1.7157\ e(t-1) \quad (2.480)$$
$$-0.3099\ e^2(t-1) \quad (-1.072)$$
$$\text{S.E.E.} = 0.0323,\ R^2 = 0.92,\ F = 383.494$$

Here parameter a has a lower value, namely, 1.7157, compared to 2.1839 in (10). We accordingly surmise that averaging of the data leads to a reduction of the numerical value of this crucial parameter. If so, it is conceivable that for some individual currencies this parameter may exceed 4 giving rise to a chaotic dynamics. It is, however, well known that discerning chaos from observed data is quite a difficult task. Even rounding-off in the course of computation may conceal a chaos that is lurking behind.

III

Concluding Remarks

A system of floating exchange rate is in vogue since 1973. Market-determined exchange rates have exhibited instability beyond the fondest nightmares of fixed-rate fanatics. Yet, international flows of trade and investment seem relatively unaffected by these erratic changes [Dunn 1983, Krugman 1989, McCulloch 1983]. There are several plausible ways of resolving this paradox. In any case, it is important for India to note in this context that perhaps of the many large risks of all types that any commercial endeavour now entails, exchange rate uncertainty may be relatively minor compared with the benefits of foreign trade and investment. Contrary to the pre-1973 conventional wisdom, floating may provide an independent incentive for foreign direct investment. Input-price uncertainty is a recognised motive for vertical integration; a regime of floating rates accordingly provides a multinational enterprise incentive for vertical integration. In short, the relative advantage of multinational firms over national enterprises outweighs any disadvantage of exchange rate uncertainty.

Even if all prices and interest rates remain as they are dollar will be on the upswing in the next few quarters, according to our calculations. If, in addition, the full effects of inflation and interest rate differentials are recognised, the exchange rate of dollar in terms of Indian rupee in all probability will be still higher. Since India does not have much by way of its own multinational enterprises, it can hardly aspire to enjoy the relative advantages of those enterprises. In a word, further depreciation of rupee is almost inevitable in a regime of convertible and floating rupee, while not all the benefits of such a regime would accrue to India.

Notes

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1 Currently two methods are available for empirically detecting chaos, namely, the Grassberger Procaccia method and the Brock-Dechert-Scheinkman method. See Hsieh (1991).

2 According to some authors, a = 4 is good enough to give full-scale chaos; see Boldrin 1988, Day 1983, Goodwin 1990, Hoppensteadt and Hyman 1977, Kelsey 1988.

3 Since the equation has lagged dependent variable, the estimates by OLS are inconsistent, see Maddala (1989:345). So the individual estimates of coefficients may not be statistically satisfactory. However, having a high correlation coefficient (10) can be a fairly reliable equation for forecasting.

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The Western Illness

Brian May

THE suicide of Pierre Beregovoy may be usefully discussed in a broader perspective than that provided in Frederic F Clairmont's article (*EPW*, May 22). It is proposed here to extend the background by brushing in elements not only of the French economic crisis, but of the state of western Europe as a whole, and by bringing in Toynbee's views on the decline of civilisations. We can thus transcend personalities and get somewhere near the heart of the general European malaise, of which the collapse of the French Socialist Party is merely a symptom. Also relevant to the view taken here is Rajni Kothari's illuminating idea of a 'world without alternatives' (*EPW*, May 29).

I

It is true that the French Socialist Party was torn by disgraceful, intestine battles for position. It is also true that down the years, like all similar western parties, it reduced the once pregnant term 'socialist' to a meaningless political tag, which is now on the verge of being thrown into the dustbin.

But it is contrary to all political experience to imagine that the party's leaders were dominated by an urge to satisfy and cash in on the greed of such a tiny minority as 'Big Capital'. Even if it be assumed (wrongly) that loot was their main goal, they could not get their hands on it unless they were re-elected to parliament. Their first aim was votes. Other blessings, if they wanted them, would follow.

It is too simple to attribute vacillations in the French government's economic policies to the machinations of 'Big Capital', close though its opulent touts were to some of those in power. What took place was an increasingly frantic search for solutions to economic problems, which are difficult, probably impossible, to find in the chronically unstable capitalist system. Of these the most serious, as Clairmont rightly recalls, was, and is, unemployment, which threatens not only social stability, but, some think, the very existence of the present political class, many of whom, irrespective of party, are fully aware of the danger.

There is no doubt that Beregovoy, the self-educated working class son of a Ukrainian immigrant, was above all concerned with the plight of the unemployed. In a letter written by hand to the Canadian prime minister, Brian Mulroney, the day before his suicide, he expressed his "deep disappointment...with this recession and the unemployment resulting from it".[1] The evolution of Beregovoy's thinking is clear. In 1982, far from being Mitterrand's stooge, he persuaded the president to reduce working hours from 40 to 39 without loss of pay. But the following year he began to face up to the realities of the system. In December 1983 he wrote: "There is no good economic policy without social justice. There is no social justice without a competitive and dynamic economy".[2]

The second of these two maxims, as Beregovoy saw it, finally preoccupied him. Appointed prime minister after the Socialist Party's defeat in the cantonal elections of 1992, he was given the impossible task, not of pleasing 'Big Capital', but of devising policies that would win sufficient public support to stave off the inevitable electoral catastrophe of 1993.

Passionate advocate of nationalisation in the 1980s, he now plunged into privatisation. Although he had become a convinced monetarist, he could not cut his soaring budget for fear of the fast approaching elections. The man who had tried the expedient of reducing working hours and lowering the retiring age to 60, finished up by hoping that encouragement of investment would create jobs. His aim, as he put it, was to "reconcile the economy with the social". The contradictions within the system ensured his failure.

The search for a solution goes on. No sooner had the new prime minister, Edouard Balladur, announced a package to create jobs, than Philippe Seguin, president of the National Assembly, rejected it and called for a drastic transformation of "values and fundamental choices". Both are members, along with Jacques Chirac, of the so-called Gaullist Rassemblement pour La France (RPR), in fact, Balladur helped to engineer Seguin's election as president of the assembly. Seguin denounced the 'simplistic catechism', under which either an upturn in the trade cycle or a kick-start of the economy was supposed to bring down unemployment.

Speaking as if from the left of centre, and to some extent negating his image as a man of the right, Seguin said that employment had been wrongly subordinated to other issues: a strong franc as against a floating franc, the reduction of the budgetary deficit, productivity and free trade. Taunting his liberal opponents on the right, he declared that social protection was not inimical to employment and that the public sector, rather than being a handicap to competitivity, could be an important "trump in the struggle against unemployment".

While he was clear on what should not be done, he was much less so on how various measures that he proposed would substantially reduce unemployment. It is enough to say here that his 45-page speech demonstrated the gravity and the difficulty of the problem that confronted Beregovoy. Failure to solve it, he said, with a refreshing irony more to be found in Paris than in Westminster, would "prove Marx right".

Balladur was quick to reply. His entire economic initiative, he said, was devised to restart employment. It was to that end that the government had decided to put public finance in order, to lighten charges on firms and to stimulate the economy by raising to that end a 40 billion franc ($ 7 billion) loan that would be repaid from the proceeds of privatisation—a highly original measure, the adequacy of which was doubted by *The Economist*.

Doubtless ideological exegesis would discover in the differences between Balladur and Seguin evidence of some clash of interest within the ruling class. But the plain fact is that western Europe is stuck with unemployment and that nobody on right, left or centre knows what to do about it. According to the EEC, 17.5 million, or 10.4 per cent of workers, are without jobs in the 12 member countries—more than 3 million in each of France, Britain and Italy.

An EC summit in Copenhagen on June 21-22 got no farther than to ask the European Commission to produce a white paper on "the strategy of durable and non-inflationary growth, respecting the environment". The impotence of the EC leaders is at once evident. For if it is possible to devise such a formula, it should have been done much earlier in the crisis. The commission is unlikely to succeed. If it does, it will qualify for the Nobel Prize in economics.

Getting back to Clairmont's article, how would the left lead Europe out of its predicament? Does Chevenement offer any hope? There is no sign of that. I agree with Clairmont that he is a man of integrity. This was demonstrated when he resigned as defence minister in protest against the Gulf war (I resigned from the British Labour Party for the same reason).[3] But, alas, he has no solution to the unemployment problem. I listened to all the speeches at the rally of his Citizens' Movement in Paris on May 1 and 2 this year. But Chevenement had nothing to add to his

previous assertion that "the key to everything" was a "reduction of about three points in interest rates". Lower interest rates help. But they are not the key to everything; and unemployment in Britain, which has slashed its interest rates until they are the lowest in Europe, is expected to remain high for a long time.

Some speakers urged a Keynesian policy. But the impossibility of this became apparent when it was revealed after Beregovoy's death that France already had a hyper-Keynesian deficit. Does the Communist Party offer any hope? Not at the moment, at any rate.

II

To broaden further this picture of the environment in which Beregovoy killed himself, we may turn from Clairmont's polemic to Rajni Kothari's essay on a 'world without alternatives'. It seems consistent with his view to say that not only is no clear alternative to capitalism on the horizon, but that also within the system itself there are no alternatives, other than those that have already failed

Further, the "yawning vacuum" he describes, with its erosion of the state, moral decline and lack of vision, evokes Toynbee's account of the symptoms of a disintegrating civilisation. Toynbee, it will be recalled, found that when a civilisation is creative, an "imitative majority" follows a "creative minority". The civilisation declines when the ruling minority ceases to be creative and loses its capacity to produce new ideas needed to cope with its environment. The majority no longer imitates, everyone goes his own way and the civilisation collapses.

The process of disintegration takes hundreds of years. Toynbee thought that in western Europe it might possibly have begun with the religious wars of the 16th century, which cracked the foundations of western Christendom. The present phase, characterised by the "cultural onslaught of the market",[4] has been under way for a considerable time. It was at the beginning of the 19th century that Wordsworth, fearful of the future, protested that "getting and spending we lay waste our powers".

The trend rapidly accelerated and at the beginning of this century the predominance of morally destructive consumerism provoked Max Weber's scathing denunciation. Having attributed the foundation of modern capitalism to Calvinists, whose dedication to work and thrift, he said, had provided the necessary capitl, Weber wrote:[5] "Since asceticism undertook to remodel the world and to work out its ideals in the world, material goods have gained an increasing and finally an inexorable power over the lives of men as at no previous period in history...In the United States the pursuit of wealth, stripped of its religious and ethical meaning, tends to become associated with purely mundane passions, which often actually give it the character of sport". Victorious capitalism, now on mechanical foundations, no longer needed the asceticism that made it possible, Weber said. The outcome was a social "nullity", which, with its "specialists without spirit", imagined that it had "attained a level of civilisation never before achieved"

Today, 100 years later, even Weber might be surprised at the grotesque behaviour of capitalist society We are mostly used to it now, all of us, and are virtually mindless about the consequences for the human race In another context John Stuart Mill wrote that there had been no western system of values since feudalism (a term often misused). All in all, it is not surprising that the west has reached a stage in which its only effective value is consumerism.

Two other symptoms of disintegration identified by Toynbee--archaism and futurism --are relevant here. Examples of archaism, which seeks a solution of the crisis in the inapplicable values of the past, are fascism and similar national salvation movements. Futurism expects salvation in a wild leap into an imagined paradise. Its ugliest and most futile manifestation is seen in organisations like the Red Brigade, who appear to believe they can remedy the ills of society by murdering people at the top. (Clairmont, relishing, as he does, "the magnum's suicide bullet that pulverised the brains of Pierre Beregovoy", seems to have a certain psychological affinity with that school.)

That the symptoms described by Toynbee are present in western Europe and its offshoot on the other side of the Atlantic can scarcely be doubted.[6] Other civilisations are, of course, embraced in Rajni Kothari's thinking. But just as the west has exported its economic and political models, though with no great success, so it is spreading its moral contagion.

Is there really no alternative? Possibly one is available, although capitalism will have to suffer a series of economic crises, far more disastrous than any yet experienced, before society accepts it. This is none other than the unpopular East German model, which failed, not because of intrinsic economic defects, but because of the repressiveness, mind-destroying dogmatism, incompetence and widespread corruption of its rulers.

Unlike the French socialist leaders (as described by Clairmont), Honnecker was not "rooted in the most opportunistic strata of the *petite bourgeoisie*", but was a son of the working class. Yet he comes second to none as a betrayer of the practice and ideals of socialism. Compared with the historic consequences of his misrule, the failings, including moral failings, of the French Socialist Party, are mere peccadillos.

At the end of 1981 Lester C Thurow, professor of economics and management at the Massachusetts Institute of Technology, said:[7] "Last year East Germany passed them [the British] in per capita GNP The Germans can make communism work better than the British can make capitalism work" While Thurow was wrong, his statement was not as far out as the limited variety of goods and cars in east Berlin would have suggested. For a large slice of the GNP was going into education, sport, culture and the best infant care in the world.

Certainly East Germany was heavily supported by West Germany, and living standards would have been lower if the government had diverted some of the GNP to preventing pollution, which it scandalously neglected, and to badly needed investment. But the people were reasonably well off, even by western standards, and secure jobs compensated to some extent for what they lacked in affluence.

With officials and doctors demanding bribes, workers stealing and fiddling and a high suicide rate, Christa Wolf, the East German novelist, called for a "new morality" At the same time many people, including Lutherans, were mortified when the East Germany model was liquidated. They felt that the world had lost a possible alternative to capitalism and that a democratically governed, morally improved, socialist East Germany might eventually have inspired imitation.

Toynbee did not rule out the revival of a disintegrating civilisation, but said that a lot of hard thinking had to be done first. A mere model, whether it be an improved East German or any other, is not sufficient in itself to light the way forward. For, as Toynbee said, the cause of disintegration lies not in the collective experience, but in "schism of the soul", in the "personal crises of behaviour and feeling and life which are the true essence and origin of the visible manifestations of social collapse".[8]

The western illness, having worsened exponentially during the past couple of hundred years, is symbolised today by the suicide of a political leader. The question is whether or not it is terminal.

Notes

1 *Le Monde*, May 4, 1993
2 Le Monde, December 14, 1983.
3 Reasons given in a letter to *The Guardian*, August 25, 1990
4 See Rajni Kothari, *EPW*, May 29, also M N Srinivas, *EPW*, May 8 for an account of consumerism in India
5 Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, Unwin, London, 1974, p 181.
6 For an elaboration see B May, *Russia, America, the Bomb and the Fall of Western Europe*, Routledge, London, 1984, Chapters 4 and 10.
7 *New York Review of Books*, December 17, 1981
8 Arnold Toynbee, *A Study of History*, Thames and Hudson, London, 1976, p 245.

Aid and Development Policy

An Aid Worker

ARJUN SENGUPTA (Aid and Development Policy in the 1990s, *EPW* March 13) argues "that the reason for resistance to foreign aid in the richer countries may be related not just to the design of the aid programme but to the confidence of the aid givers about the ability of the receiving countries to use that aid efficiently" But he contradicts himself when he further adds "that a micro level effectiveness related to the ability at the ground level to execute the programme is not a sufficient condition for the full and efficient utilisation of aid" If micro level Indian experience in aid utilisation is any guide then efficient and effective use of foreign aid leaves much to be desired The recently concluded Joint Consultative Group on Policy (JCGP) of the five UN agencies– UNICEF, UNDP WFP, UNFPA and ILAO—says that "the financial flow from JCGP agencies is around $ 200 million annually mostly in the form of grants, and is modest compared to the needs of India as is the total amount of external assistance of $ 7 2 billion pledged to India" [1] The JCGP also admits that the problem of absorptive capacity in the administration of funds is acute In some cases the entire amount of funds allocated for the programmes do not get spent In other cases funds get diverted and do not reach the project on time because of various administrative bottlenecks There are also delays in project clearance and release of funds that affect project implementation '

Why India is not able to use the external aid efficiently and effectively? Why aid is not trickling down? Is there an aid fatigue or aid attrition? If India is to push its aid and development policy in the 1990s what reforms are needed for better absorption utilisation and disengagement? There are at least five main areas which need to be tackled for better aid use (a) centre state relations in respect of aid request and subsequent flow, (b) state district and block level infrastructure for better absorption and utilisation, (c) capacity of public bureaucracy for effective management of aid, (d) maintenance budget and improved operational mechanisms, and (e) effective monitoring, evaluation feedback and an exit policy

UN and bilateral agencies deal with several central ministries and the decision on which agency should deal with which ministry is not always clear Whether aid is needed at all and which state should get what aid have all become political issues

UNICEF deals with five ministries whereas WHO deals with one health ministry Every ministry clamours to have as many aid agencies as possible to establish its 'presence' and that makes interministerial coordination difficult Aid dialogues are held only with centre and states are just passive recipients Sometimes there are no aid takers in states and aid is just forced without knowing the absorptive capacity of the states Under our federal polity states are not empowered to 'negotiate' with foreign agencies Aid utilisation is effective in a climate of decentralisation and how do we ensure this?

State district and block level infrastructure affects aid utilisation UNICEF is assisting for more than a decade a programme called Development of Women and Children (DWCRA) through the ministry of rural development and is a sub scheme of IRDP Under this scheme Rs 15,000 it is provided as a revolving fund for women groups in the villages and is equitably shared between UNICEF government of India and states When the DWCRA is sanctioned Rs 15 000 is released to DRDAs which in turn is supposed to release this amount to women groups States with serious financial ways and means position have not released this small amount to women groups and at present in some states lakhs of rupees have been locked up in ingenious deposit accounts of DRDAs External aid is not to be substituted for state resources which are additionalities Here is a classic case of aid not trickling down

Many of the present externally aided programmes in the field of health nutrition, water supply and sanitation social forestry and education are highly decentralised programmes and in the absence of a strong district and block level infrastructure and managerial capacity there would be aid attrition than proper use In the now well grounded Universal Immunisation Programme assisted by UNICEF there are still many problems like lack of maintenance budget for repair and upkeep of cold chain equipment, misuse of programme vehicles, staff vacancies, as revealed by recent report of the Comptroller and Auditor General of India External aid agencies can give drum sterilisers for sterilising needles/syringes, even a stove but the state must provide the funds for kerosene and consumables In some states medical officers/health workers do not have funds for kerosene!

Manpower issues affect aid utilisation The DWCRA does not have in many states women assistant project officers, despite the salary bill being borne by UNICEF Reason is the non availability of qualified women for filling the posts In states with low educational levels women problems are further compounded Externally aided projects have a tendency to become 'grandiose' if they are not merged/dissolved with the 'ongoing' programmes of the state and this is where the 'exit' policy or 'disengagement becomes important

When should disengagement take place? Is there any cut off period? UNICEF is assisting India's prestigious Integrated Child Development Services (ICDS) programme for more than 15 years and its share constitutes not even 10 per cent of the total investment on ICDS Why should UNICEF be putting its pie into such already well sustained programme and why should government of India keep this little pie of a UN agency This is a fit case for disengagement However, the multi donor evaluation report on UNICEF aid policy [2] has suggested UNICEF to be concentrating in three areas (a) strengthening service delivery in a given country, (b) concentrate on capacity building of aid receivers and users and (c) promote empowerment particularly of women This means that UNICEF should continue to be involved in child care services irrespective of the needs of India in this area Aid should help self reliance and not perpetuate dependence

For evolving exit policy aid givers and receivers should evolve proper monitoring and feedback systems At present both the giver and receiver of aid are shy of evaluation of external aid Receiver wants aid to flow, whatever the quantum, because that gives the department officials prestige and entry into the aid agency for foreign jaunts and post retirement employment prospects The aid giver wants to impress their country constituents about the glory of their aid to a developing country and how their aid has made a dent into the poverty of the aid receiving country There is no aid fatigue but more of aid attrition Sen Gupta could have analysed more micro level realities of external aid of a few countries, which would have helped to evolve an effective aid and development policy in 1990s particularly for a country like India

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[1] UN Joint Consultative Group on Policy, *Promoting Human Development in India Implications for India JCGP Initiatives*, UNDP, New Delhi, 1993

[2] UNICEF, *Multi-Donor Evaluation of UNICEF*, New York, January, 1993

On Viability of Rural Branches

C L Dadhich

THE piece 'Myth of Non-viability of Rural Branches' (EPW, May 1) is an interesting study of one of the public sector banks, based on the actual data for the accounting year 1991-92 drawn from balance sheet and profit and loss statement of the branches of the bank. One needs some clarifications on some of the points raised in the piece, since they are not in line with the general perceptions about the working of the banking system, in particular of rural banking.

One of the most startling findings of the study is about the higher rate of interest earned on advances by rural branches at 12.77 per cent, closely followed by metro branches (12.35 per cent) and urban branches (11.90 per cent). The lowest interest earned at 11.74 per cent was noticed in respect of advances of semi-urban branches. In all, the bank under study earned 12.21 per cent average return on its advances as against the average return of about 14.3 per cent for the banking sector.[1] Notwithstanding the observation that the selected bank is not representative of the banking industry due to higher level of per branch deposits and advances of the bank in rural areas as compared to those of all public sector banks, it is important to note that rural branches of the selected bank did well as compared with other branches.

The paper listed two main reasons for the highest interest earning ratio of the rural branches: (1) low non-performing advances in rural areas; and (2) relatively low year-end figures of advances of rural branches. These reasons require to be closely examined.

The highest interest earning rate on rural advances could no doubt be on account of low non-performing advances of branches in rural areas rather than higher interest rates on rural advances. But there are no detailed and reliable data regarding the quality of loans given in rural areas. In the absence of such data, this can only be a conjecture.

Low year-end figures of advances will give a favourable tilt to interest earning ratio of rural branches. But this is not a special feature of only 1991-92, and is generally regarded as a permanent factor, since low year-end figures of advances reflect the seasonal nature of advances extended by banks in rural areas. Short-term loans in rural areas, generally disbursed in late June or early July, are mostly recovered by end-March. Even for term-loans, recovery coincides with the harvesting of major crops that takes place before the end of March.

It is necessary to caution that 1991-92 is not a good year to choose for drawing a conclusion that rural branches give high interest earnings. For, the implementation of Agricultural and Rural Debt Relief Scheme 1990 in 1991-92 had resulted in substantial reduction in the level of outstanding advances by the end of March 1992. The amount involved as debt relief was as much as Rs 2,962 crore.

We need to factor in the seasonality aspect and the rural debt relief, and calculate the interest earnings on advances by rural branches. In which case one is likely to get a figure much lower than the one that has been suggested in the paper. It is therefore necessary to be cautious in coming to any conclusions about the high interest earned on advances by rural branches. In fact, one needs to reckon such factors as inadequate managerial competence at the level of rural branches, the higher cost of deposits (low proportion of current deposits in the composition of total deposits), the higher burden ratio (on account of higher transaction cost of servicing of large number of small-sized loan accounts and inadequate non-interest income) and the low level of interest income as a result of financing of small-sized loans (at subsidised rates of interest) of rural branches as compared to their counterparts in semi-urban, urban and metro areas. The poor profitability of rural branches, one might be tempted to argue, is inherent in the system rather than being an indicator of malfunctioning.

The paper indicated non-interest cost ratio of 2.19 per cent for rural branches, 1.85 per cent for urban and 1.76 per cent for semi-urban branches. The average non-interest cost ratio worked out to 1.67 per cent for the bank as against that of 3.7 per cent for the nationalised banks.[2] A noticeably low non-interest cost ratio of the selected bank might be again on account of different accounting standards followed by the analyst. It is not very clear whether other expenses such as provisioning, depreciation, etc, were taken into account by the analyst while calculating non-interest cost.

The paper worked out the adjusted profitability ratio for the bank at 2.52 per cent but the figures published by the Indian Banks' Association reveal that not a single public sector bank earned more than 0.95 per cent profit during 1991-92.[3] It is not clear how such a high profitability ratio has been reported by the paper.

Rural banking is in general a losing proposition and it is for this reason the Narasimham Committee recommended the usefulness of banks segregating the operations of their rural branches through the formation of one or more subsidiaries.[4] However, this may not provide any solution to the problem of in-built non-viability of rural branches, at any rate till agriculture and allied activities become profitable.

There is probably no viable alternative to continuing with the existing system in which losses of rural lending are absorbed through the earnings from other branches. Cross-subsidisation, endorsed by the Khusro Committee[5] cannot be avoided at this stage, since that is the only way the rural activities could be promoted and the banking system as a whole would find it viable to operate.

Notes

1 S Venkitaramanan, 'Changing Winds of the Financial Markets', *RBI Bulletin*, April 1992, p 754.

2 *Report on Trend and Progress of Banking in India, 1991 92*, Reserve Bank of India, p 61

3 *Public Sector Banks 1991-92*, Indian Banks' Association

4 *Report of the Committee on Financial System* (1991).

5 *Report of the Agricultural Credit Review Committee* (1989), Reserve Bank of India, p 118.

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BALANCE SHEET & PROFIT & LOSS ACCOUNT

BALANCE SHEET FOR INDIAN OFFICES AS ON 31ST MARCH 1993

(000's omitted)

	Schedule	As on 31-03-93 (Current Year)	As on 31-03-92 (Previous Year)
CAPITAL AND LIABILITIES			
Capital	1		
Reserves and Surplus	2	18,31,42	11,08,62
Deposits	3	5,52,72,68	4,83,18,75
Borrowings	4	1,18,50,22	75,98,92
Other Liabilities and Provisions	5	45,61,59	49,72,94
TOTAL		7,35,15,91	6,19,99,23
ASSETS			
Cash and balances with Reserve Bank of India	6	1,21,68,12	53,21,70
Balances with banks and money at call and short notice	7	29,93	70,39,85
Investments	8	1,89,73,11	1,72,82,21
Advances	9	4,01,75,13	3,05,23,21
Fixed Assets	10	4,95,74	4,15,25
Other Assets	11	16,73,88	14,17,01
TOTAL		7,35,15,91	6,19,99,23
Contingent Liabilities	12	7,77,49,72	6,46,39,40
Bills for Collection		22,55,61	21,61,46

Notes on Accounts 17

The schedules referred to herein form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date.

PROFIT AND LOSS ACCOUNT OF INDIAN OFFICES FOR THE YEAR ENDED 31ST MARCH 1993

(000's omitted)

	Schedule	Year Ended 31.03.93	Year Ended 31.03.92
I. INCOME			
Interest earned	13	95,64,31	77,14,00
Other Income	14	21,84,48	13,64,71
TOTAL		1,17,48,79	90,78,71
II. EXPENDITURE			
Interest expended	15	51,20,12	48,04,69
Operating expenses	16	9,04,76	7,89,37
Provisions and contingencies		42,32,17	25,22,70
TOTAL		1,02,57,05	81,16,76
III. PROFIT			
Net profit for the year		14,91,74	9,61,95
Profit/Loss (–) brought forward		7,68,94	4,84,32
TOTAL		22,60,68	14,46,27
IV. APPROPRIATIONS			
Transfer to statutory reserves		2,98,50	1,93,00
Profit remitted to Head Office		7,68,94	4,84,33
Less: Loss of last year remitted by H.O		–	–
Balance carried over to Balance Sheet		11,93,24	7,68,94
TOTAL		22,60,68	14,46,27

Notes on Accounts 17

The schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For SHARP & TANNAN
Chartered Accountants
Sd/-
(M. P. Narsang)
Partner

THE BANK OF TOKYO, LTD.
Bombay Office
Sd/-
(K. Kashima)
Assistant General Manager

THE BANK OF TOKYO, LTD.
Bombay Office
Sd/-
(K. Oshima)
General Manager
&
Chief Executive Officer for India

BOMBAY
Dated: 30 June 1993

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

SCHEDULES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1993

(000s omitted)

	As on 31 03 93 (Current Year)	As on 31 03 92 (Previous Year)
Schedule 1—Capital		
I For Banks Incorporated Outside India		
i) Amount of investment deposited with RBI under Section 11(2) of the Banking Regulation Act, 1949	6,16,50	6 16 50
TOTAL	6,16,50	6 16 50
Schedule 2—Reserves and Surplus		
I Statutory Reserves		
Opening Balance	3,39,68	1 46 68
Additions during the year	2,98,50	1,93 00
Deductions during the year		
	6,38,18	3 39,68
II Balance in Profit and Loss Account	11,93,24	7,68 94
TOTAL (I and II)	18,31,42	11,08,62
Schedule 3—Deposits		
A I Demand Deposits		
i) From Banks	2,97,37	7 36,93
ii) From Others	1,00,27,53	81,05,95
	1,03,24,90	88 42 88
II Savings Bank Deposits	33,73,98	32,74 56
III Term Deposits		
i) From Banks	10,00,00	1,27,50 00
ii) From Others	4,05,73,80	2,34,51 29
	4,15 73,80	3,62,01,29
TOTAL (I, II and III)	5,52,72,68	4,83 18,75
B i) Deposits of branches in India	5,52,72,68	4,83,18 75
ii) Deposits of branches outside India		
TOTAL	5,52,72,68	4,83,18,75

(000's omitted)

	As on 31 03 93 (Current Year)	As on 31 03 92 (Previous Year)
Schedule 4 Borrowings		
I Borrowings in India		
i) Reserve Bank of India	42 01 00	29 94 00
ii) Other banks	35 00 00	
iii) Other institution and agencies	41 49 22	46 04 92
	118 50 22	75 98 92
II Borrowings outside India		
TOTAL (I and II)	118 50 22	75 98 92
Secured bofrowings in I & II above Rs.		
Schedule 5—Other Liabilities and Provisions		
I Bills payable	5 34 08	10 39,52
II Inter office adjustments (Net)	4 79 85	4 15 74
III Interest accrued	13 60 37	11 15 87
IV Others (including provisions)	20 87 19	24 01 81
TOTAL	45 61 59	49 72 94
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand (including foreign currency notes)	1 83 19	2 64 43
II Balances with Reserve Bank of India		
i) In Current Account	119 85 93	50 57 27
ii) In Other Accounts		
TOTAL (I and II)	121 68 12	53 21 70
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
i) Balance with Banks		
a) In Current Accounts	27 84	36 22
b) In Other Deposit Accounts		
ii) Money at call and short notice		
a) With Banks		70 00 00
b) With other Institutions		
TOTAL	27 84	70 36,22
II Outside India		
i) In Current Accounts	2 09	3,63
ii) In Other Deposit Accounts		
iii) Money at call and short notice		
TOTAL	2 09	3,63
GRAND TOTAL (I and II)	29,93	70,39,85

SCHEDULES

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1993

(000's omitted)

	As on 31 03 93 (Current Year)	As on 31 03 92 (Previous Year)
Schedule 8— Investments		
I Investments in India in		
i) Government securities (Market Value Rs 1,57,00 50) (Previous Year Rs 1,43,76,8 5)	1 62 95 8(	1 45 03 90
ii) Other approved securities	25 81 15	26 83 05
iii) Shares	37 33	37 33
iv) Debentures and bonds	38 93	38 93
v) Subsidiaries and/or joint ventures		
vi) Others (in Units of Indus Venture Capital Fund)	20 00	20,00
TOTAL	1,89,73 11	1,72 82 21
Schedule 9 – Advances		
A i) Bills purchased and discounted	1,50,07,63	1,19 32 96
ii) Cash credits, overdrafts and loans repayable on demand	2,33,23,47	1,71,28,95
iii) Term loans	18,44,03	14,61,30
TOTAL	4,01,75,13	3,05,23,21
B i) Secured by tangible assets	2 79,92,31	2,22,31,27
ii) Covered by Bank/ Government guarantees	69,80,04	22 65,17
iii) Unsecured	52,02,78	60,26 77
TOTAL	4,01,75,13	3,05,23,21
C I Advances in India		
i) Priority sectors	25,23,98	16 53 51
ii) Public sector	77,04	
iii) Banks		
iv) Others	3 75,74,11	2,88 69,70
TOTAL	4 01,75,13	3,05,23,21

(000's omitted)

	As on 31 03 93 (Current Year)	As on 31 03 92 (Previous Year)
Schedule 10 Fixed Assets		
I Premises		
At cost as on 31st March of the preceding year	1 35 00	1,35,00
Additions during the year		
Deductions during the year		
Depreciation to date	1,85	1,43
TOTAL	1,33,15	1,33,57
II Other Fixed Articles (including furniture and fixture)		
At cost as on 31st March of the preceding year	5 57,81	5,18,19
Additions during the year	1,60 92	41,93
Deductions during the year	27,76	2,32
Depreciation to date	3,28,38	2,76,12
TOTAL	3,62,59	2,81,68
TOTAL (I and II)	4,95,74	4,15,25
Schedule 11– Other Assets		
I Interest accrued	12,55,51	10,95,54
II Others	4,18,37	3,21,47
TOTAL	16,73,88	14,17,01
Schedule 12—Contingent Liabilities		
I Claims against the bank not acknowledged as debts		
II Liability for partly paid investments		
III Liability on account of outstanding forward exchange contracts	2 15 81,98	2,47,81,29
IV Guarantees given on behalf of constituents		
a) In India	2,65,17,92	1,59,57,40
b) Outside India	76,25,93	65 17,61
V Acceptances, endorsements and other obligations	2,20,23,89	1,73 83,10
VI Other items for which the Bank is contingently liable		
TOTAL	7,77,49,72	6,46,39,40

SCHEDULES

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1993

(000's omitted)

	Year Ended 31.03.93	Year Ended 31.03.92
Schedule 13—Interest Earned		
I. Interest/discount on advances/bills	59,85,58	44,75,94
II. Income on investments	21,85,77	16,91,16
III. Interest on balances with Reserve Bank of India and other inter-bank funds	5,60,94	8,43,45
IV. Others	8,32,02	7,03,45
TOTAL	95,64,31	77,14,00
Schedule 14—Other Income		
I. Commission, exchange and brokerage	5,44,96	4,77,82
II. Profit on sale of investments	11,21	52,70
III. Loss on sale of land, buildings and other assets	(42)	-
IV. Profit on exchange transactions (Net)	9,67,74	8,23,17
V. Miscellaneous income	6,60,99	11,02
TOTAL	21,84,48	13,64,71
Schedule 15—Interest Expended		
I. Interest on deposits	34,61,41	29,85,46
II. Interest on Reserve Bank of India/inter-bank borrowings	3,46,74	2,33,21
III. Others	13,11,97	15,86,02
TOTAL	51,20,12	48,04,69

(000's omitted)

	Year Ended 31.03.93	Year Ended 31.03.92
Schedule 16—Operating Expenses		
I. Payments to and provisions for employees	4,04,37	3,97,59
II. Rent, taxes and lighting	93,67	98,72
III. Printing and stationery	49,01	44,15
IV. Advertisement and publicity	76	1,19
V. Depreciation on bank's property	67,13	49,85
VI. Directors' fees, allowances and expenses	12	31
VII. Auditors' fees and expenses (including branch auditors)	1,33	2,03
VIII. Law Charges	13,75	5,89
IX. Postage, Telegrams, Telephones, etc.	70,23	65,66
X. Repairs and maintenance	40,31	38,55
XI. Insurance	33,24	19,41
XII. Other expenditure	1,30,84	66,02
TOTAL	9,04,76	7,89,37

AUDITORS' REPORT

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

Schedule 17 Accounting policies and notes forming part of the accounts for the year ended 31st March 1993

I **Principal Accounting Policies**

(1) **General**
The accompanying financial statements have been prepared on the historical cost basis and confirm to the statutory provisions and practices prevailing in the country

(2) **Transactions involving Foreign Exchange**
Monetary assets and liabilities as well as outstanding Forward Exchange Contracts are translated half yearly at rates prescribed by FEDAI and the resulting profit loss is accounted for Guarantees Letter of Credits and Acceptances are translated at TT (Middle) rates

(3) **Investments**
Investments are valued at the lower of cost or market value Where recent market quotations are not available the investments are taken at book value

(4) **Advances**
(a) Provision for doubtful advances have been made to the satisfaction of the auditors in respect of identified advances based on a periodic review of advances and after taking into account the realisable value of securities, the portion of advance guaranteed by the Deposit Insurance and Credit Guarantee Corporation the Export Credit & Guarantee Corporation similar statutory bodies and prudential accounting norms laid down by RBI for the asset classification and provisioning requirements thereof
(b) Provisions in respect of doubtful advances have been deducted from advances
(c) Provisions have been made on gross basis

(5) **Fixed Assets**
(a) Premises and other fixed assets have been accounted for at their historical cost
(b) Depreciation has been provided for on the diminishing balance method at the rates specified in the Income Tax Act 1961

(6) **Staff Benefits**
Provision for gratuity pension benefits to staff has been made on an accrual basis Separate fund for pension has been created

(7) **Net Profit**
(a) The net profit disclosed in the Profit and Loss Account is after considering
(i) Provision for taxes on income
(ii) Provision for doubtful advance
(iii) Provision for depreciation in the value of specific investments which are valued at lower of cost or market value but
(b) Without considering interest income in respect of non performing assets taking into account the prudential norms laid down by RBI

II **Notes on the Accounts**

(1) Head Office administrative expenses have not been charged in the accounts and provision for taxes has been computed without deduction of such expense

(2) Provisions and contingencies include Rs 3185 lacs (including prior year 110 lacs) being provision for Income Tax and Rs 180 lacs towards Interest Tax

(3) Inter office balance is net of Rs 34[illegible]73 lacs being amount received from Head Office for the acquisition of residential premises for Bank's officers

(4) Previous year's figures have been regrouped/rearranged wherever necessary to conform with the amendments made to the Third Schedule of the Banking Regulation Act 1949

Auditors Report on the Indian Branch of The Bank of Tokyo, Ltd.

We have audited the attached Balance Sheet of the Indian Branch of The Bank of Tokyo Ltd, as at 31st March 1993 and also the annexed Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date, in which are incorporated the returns from Calcutta and New Delhi branches audited under Section 228 of the Companies Act, 1956 by other auditors

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of sub sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act 1956 the Balance Sheet and the Profit and Loss Account, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act 1956 The accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act 1949

We report that in accordance with sub section (3) of Section 30 of the Banking Regulation Act, 1949

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory
b) The transactions which have come to our notice have been in our opinion within the powers of the Indian Branch of the Bank
c) In our opinion proper books of account as required by law have been kept by the Indian Branch so far as appears from our examination of those books
d) The report on the accounts of Calcutta and New Delhi Branches of the Bank audited by the respective Branch Auditors were received and properly dealt with by us while preparing our report
e) The Balance Sheet and the Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account and the return

For SHARP & TANNAN
Chartered Accountants
Sd/
(M P NARSANG)
Partner

Bombay
Dated 30 June 1993

STATE BANK OF TRAVANCORE

(Associate of the State Bank of India)
H.O. THIRUVANANTHAPURAM

BALANCE SHEET AS ON 31st MARCH 1993 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1993

BALANCE SHEET AS ON 31st MARCH 1993

Rupees in thousands

CAPITAL AND LIABILITIES	AS ON 31-03-1993	AS ON 31-03-1992
1. Capital	2,00,000	2,00,000
2. Reserves and Surplus	5,38,590	2,03734
3. Deposits	3,20,84,081	2,73,60,954
4. Borrowings	8,02,574	7,85,134
5. Other liabilities and provisions	55,56,039	59,63,213
Total	3,91,81,284	3,45,13,035
PROPERTY AND ASSETS		
1. Cash and balance with RBI	70,45,337	55,86,610
2. Balance with Banks and money at call and at short notice	3,75174	22,87,543
3. Investments	1,12,27,413	96,93,421
4. Advances	1,89,62,676	1,49,63,592
5. Fixed Assets	1,77,165	1,58,277
6. Other Assets	13,93,519	18,23,592
Total	3,91,81,284	3,45,13,035
Contingent liabilities	1,45,13,676	1,83,14,659
Bills for collection	20,59,170	14,58,802

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1993

I. INCOME	YEAR ENDED 31-03-93	YEAR ENDED 31-03-92
1. Interest earned	4181923	3465004
2. Other Income	534174	324941
Total	4716097	3789945
II. EXPENDITURE		
1. Interest expended	3040681	2329948
2. Operating Expenses	1074610	915546
3. Provisions and contingencies	519822	493574
Total	4635113	3739068
III. NET PROFIT FOR THE YEAR	80984	50877
PROFIT BROUGHT FORWARD	897	20
Total	81881	50897
APPROPRIATIONS		
1. Transfer to Statutory Reserves	52000	22000
2. Transfer to Other Reserves	Nil	Nil
3. Proposed Dividend	28000	28000
4. Balance carried over to Balance Sheet	1881	897
	81881	50897

P.S.ABRAHAM	A.S. RAGHAVAN	K.RAMAKRISHNAN	D.BASU
ASSISTANT GENERAL MANAGER FINANCE & ACCOUNTS	GENERAL MANAGER INSPECTION & FINANCE	MANAGING DIRECTOR	CHAIRMAN

DIRECTORS

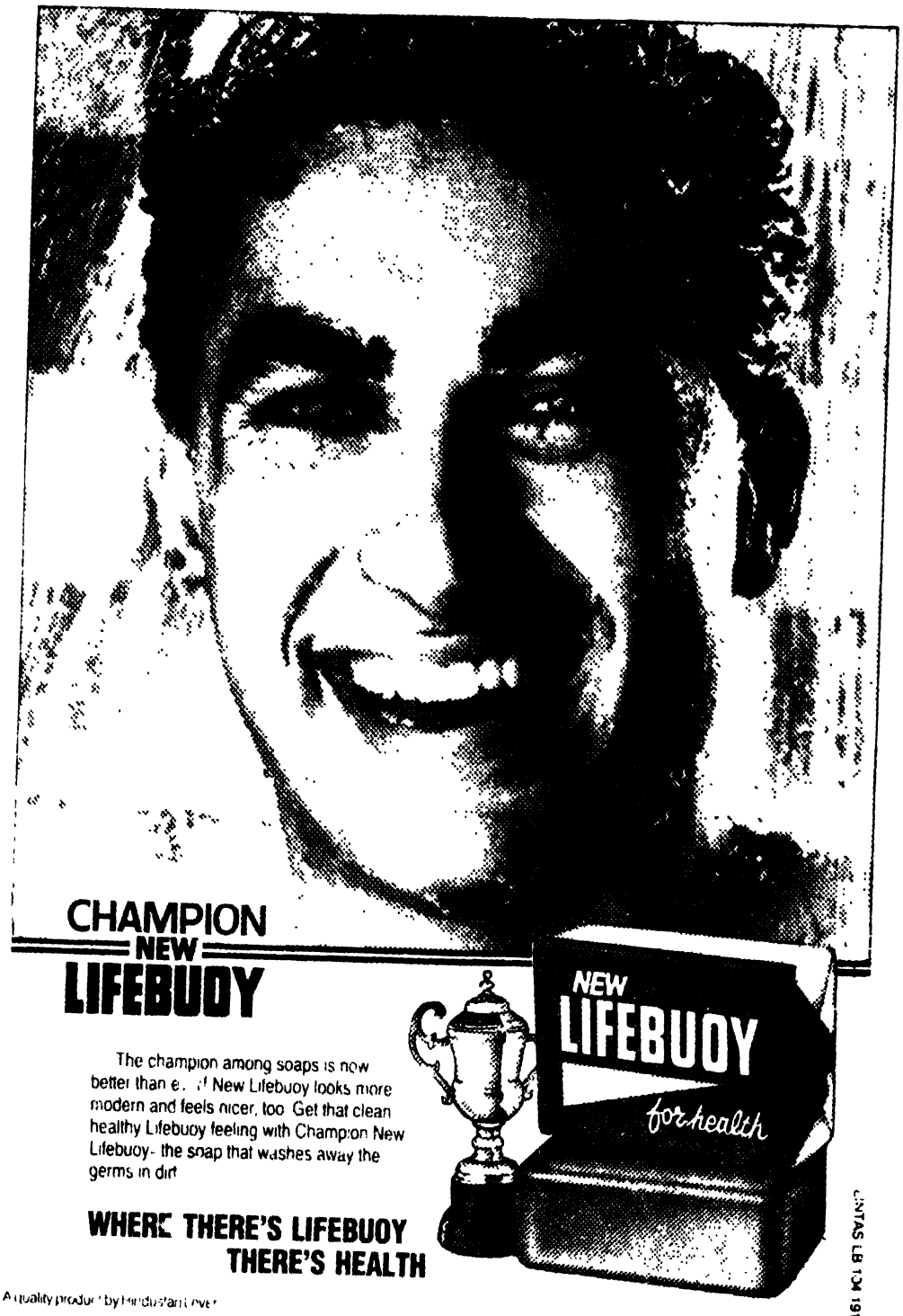
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PLACE. BOMBAY
DATE : 29-05-93

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ECONOMIC AND POLITICAL WEEKLY

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Rouble Debt

Since mid-1990 India is living under the shadow of a large external debt in hard currency that has transformed the country's economic scenario beyond recognition. Our debt to the erstwhile USSR was initially tucked away from the public view; however, negotiations on the size and modalities of repayment of this debt had been going on with the USSR and later Russia. When an agreement was finally reached in January 1993 the general view in India was that our government had conceded everything. An assessment of the controversy against a broader canvas. **1443**

Empty Boxes

While the goals set out in general terms in the finance ministry's discussion paper on economic reform are as unexceptionable as motherhood and 'dal-roti', the document throws little light on the country's medium-term economic prospects. The obvious inference is that this is all part of an arranged set of rites and ceremonies to be carried out before the government goes again to the IMF and the World Bank for the next dose of 'exceptional financing'. **1417**

The Roots

It is essential to take stringent action against those guilty of fraud and corruption, but it is the economic reform programme of the government which needs to be questioned squarely in the light of the stock market scam and its impact on the economy and polity. **1418**

Exploited

The expansion of the beedi industry has provided employment opportunities for women, but the women workers are exposed to economic and sexual exploitation and severe health hazards. Female workers are under constant pressure from both the employers and their parents/husbands. **1461**

Investment and Growth

What will be the impact of the decline in the share of investment goods in investment as a result of the new economic policy on the long-term growth of the economy? What order of increases in the efficiency of domestic resource-use and in the inflow of investment goods from abroad will be required to sustain the growth rate? **1453**

Nationalism

The debate on nationalism needs to be relocated in the politics of the present, juxtaposing nationalism to the so-called non-nationalistic realities, marking their tensions, appropriations and approximations. **1433**

Defiled!

What happened when the activists of the People's Art and Literary Association sought a place for the dalits and the sudras in 'bhoologa vaikundam', the Sri Ranganathaswami temple in Thiruvarangam in Tamil Nadu. **1422**

More Power?

The Eighth Plan envisages a net addition of 38,000 MW to the national power grid. This seems to be accepted by all and the argument is about how much of the additional capacity should be in the private sector and how much in the public. But do we need 38,000 MW of additional power at all? **1420**

Vote-Gathering

In UP, in an attempt to go beyond the traditional backward class-Muslim-dalit appeal, Mulayam Singh Yadav has supported Chandraswamy's so-called Som Yagya and is adopting a line on the mandir-masjid issue calculated to appeal to conservative Hindu sentiment. **1421**

Mistaken Identity

What is state terrorism: the US missile attack on Baghdad, indiscriminately killing men, women and children, or the alleged involvement, far from proven yet, of the Saddam regime in a plot to assassinate George Bush? **1423**

Fatal Flaw

Poor P C Mahalanobis. The Professor, whose centenary is currently being celebrated with much demureness, had lost his way. He read his people wrong and constructed an autarkic model which made no reference to the foreign sector. It was therefore bound to come a cropper. It duly did. There was for some subsequent time much confusion, but all is well that ends well, we now belong, inalienably, to an international economic system. How does it matter if we are one hundred thirty-fourth in a class of one hundred seventy-three? **1415**

LETTERS TO EDITOR

Indonesia, Sangh Parivar and Muslims

LALKRISHNA Advani and Sangh parivar friends never tire of reminding Muslims in India about Muslim culture in Indonesia where the Ramayan and Mahabharat stories are a part of their folklore. Sangh parivar advocates may wish to refer to the news item in *The Times of India* of July 1, 1993 where the experience of a Nagpur community on Muharram in 1924 is cited: "For the first time in the history of Nagpur, Kerbala, the tenth day of Muharram passed off without Hindus participating in it, in accordance with the wishes of the Hindu Sabha It was almost a revolutionary step. For years past it was the Hindus who played the predominating part and made Muharram what it was in Nagpur." This receptivity of our culture may be noted.

As social scientist and a worker in the field in Indonesia for nearly four years, I can say that such a break as happened in Nagpur in 1924 would not happen in Indonesia. They are a very gentle, sensitive and receptive people there. In my three years in Yogyakarta (former capital), I did not come across a single skirmish on the road. On first day of my return here, an autorickshaw driver and a motorcyclist were at each other—a not uncommon sight in Bombay. At the political level, as a part of the campaign for national unity Batiasa Indonesia was adopted as the national language, even though 70 per cent of the people in Indonesia speak Javanese and all their presidents since independence have been Javanese. Contrast this with India, where, by a casting vote Hindi was imposed as our national language and that in spite of Gandhiji's preference for a pluralistic Hindustani

Indonesians are a very musical people and sing Indian songs in perfect tune and the right pronunciation. They also sing Arabic songs. Such receptivity is second nature to them, because they have a strong Indonesian identity and feel it cannot be corrupted by outside influences. They feel deeply Indonesian without any outward show of nationalism or of their religions

Both Hindus and Muslims in India have a lot to learn from the Indonesian people The jarring aggressiveness of 1924, noted above, is a good example how to do things if an internal integration is to be achieved in this nation. One cannot hit people on the head and say 'integrate', it can only bring the wrong results as any understanding of elementary psychology will indicate. However, one wonders—who is an Indian? Around here one is either a Hindu or a Muslim or a Christian, a Maharashtrian, a Punjabi, a UP-ite or what have you Where is the commitment to this land of ours?

AZIZ PABONEY

Bombay

US Attack on Iraq

WHILE some academic practitioners in the field of international relations are engaged in writing scenarios based on the incipient multipolarity of the present-day world, Bill Clinton's two strikes against Iraq have rudely drawn attention to the incontestable reality of the continuing unipolarity of effective power at the moment—so much so that the Star and Stripes could this time dispense with the fig-leaf of the UN flag for carrying out the terror strikes against an unsuspecting country.

China apart, in the wide world there has not been even a murmur of unequivocal protest by any government against this blatant defiance of civilised norms of international co-existence so laboriously evolved over the centuries and so elaborately codified in international law and UN regulations. America's former superpower rival, or rather its relic in the form of Russia today, has only revealed its split political personality as the Russian foreign ministry officially backed its patrons in the White House while the country's vice-president, Rutskoi, and one of the two houses of parliament denounced the US strike against Iraq as well as Kremlin's subservience to the great White Chief. In balance and on the whole it was hardly anything to bother the bullies in Washington. In an ambiguous mumbling which juxtaposed concern for the national sovereignty of vulnerable nations and acts of international terrorism, India failed to indict the US for its insolent exercise of state terror. This vociferous champion of third world interests of yester-year has this time in effect chosen to condone the US conduct in Iraq, as it has failed to nail down the US missile attacks as an act of state terror.

While the UK has followed its traditional courtier's role by echoing the US voice, the potential recalcitrants among the G-7 powers, i e, Germany, France and Japan, have done little more than refraining from applauding the US bully.

This being the real correlation of world powers today, the US president had no problem in pursuing his aim in this case, which, was to inflict punishment upon Saddam Hussein in order to serve notice on all third world countries. No less important probably were his expectations of bonus in his home politics. The subsequent polls have indeed confirmed that the Iraq strikes have led to a rise in Clinton's rating at home.

The multipolarity scenarists also may not be entirely mistaken. Whatever the situation today, the critical elements in Russia and the stated and unstated reservations reflected in the positions taken by Germany, France, Japan and even India, someday combined with the outspoken opposition of China may lead to a clearer definition of diverse political stances among the dominant G-7 coalition of today.

A READER

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ECONOMIC AND POLITICAL WEEKLY

The Pressure Mounts

WITH the political vacuum in the governance of the country and in the absence of effective opposition from political parties and the affected sections of the people, the bureaucracy is making plans to aggressively push ahead with the structural adjustment of the economy, unmindful of the social consequences. A number of recent developments have brought this out clearly. First, there was the Aid-India Consortium meeting in Paris in the third week of June which became, more so than in earlier years, an occasion for the multilateral organisations and the aid-givers to demand, and the government of India to promise, redoubling of efforts towards structural reform of the Indian economy. Second, the government has announced that it will begin later this month negotiations with the IMF for a three-year borrowing arrangement under the extended fund facility (EFF) involving substantially stiffer conditions than the stand-by arrangement just drawing to a close. Simultaneously, negotiations are also being pursued with the World Bank and the Asian Development Bank on financial sector reform as well as sectoral adjustment programmes affecting the power, hydrocarbon, transport and telecommunications sectors. As the country gets deeper in debt to the international organisations, closer co-ordination among them, the IMF and the World Bank in particular, in prescribing tighter policy and performance conditionalities is only to be expected. The government, however, keeping up the pretence that the economic reforms are all a matter of its own volition, has come up with a 'discussion paper' on 'Economic Reforms: Two Years After and the Task Ahead'. Finally, the country's earlier negotiating stance seeking modification of the Dunkel draft, particularly on intellectual property rights, has been abandoned and the concerned officials have gone public advocating wholesale acceptance of the Dunkel proposals.

The finance secretary assured the Aid-India Consortium members in Paris that the government was determined "to push ahead and put economic reforms firmly on the agenda". The government, he informed the aid-givers, expected an export growth of 14 per cent this year and a current account deficit of $ 4.5 billion (1.7 per cent of GDP) compared to $ 5.2 billion last year. The deficit would be further reduced in the next two years. Taking into account all capital flows, there would be an 'exceptional financing' gap of $ 1.8 billion in 1993-94, which would be lower than that last year ($ 2.5 billion), and of $ 2.2 billion in 1994-95. The consortium countries have this year pledged $ 7.4 billion in loans compared to the commitment of $ 7.2 billion last year. Over the next five years India would require an average of about $ 6 billion annually for repayment of medium- and long-term debt, including the IMF credit but not NRI deposits, defence loans and rouble debt. It is further projected that the country would need about $ 8 billion in gross capital inflows in 1993-94 and $ 10-12 billion in each of the following four years. Hence the necessity of the EFF loan, to provide a cushion against balance of payments shocks.

While organising the Aid-India Consortium commitments, the World Bank has sought to press upon the Indian government a six-point programme for urgent action covering (i) tax reform and expenditure rationalisation and reallocation; (ii) more foreign trade reform in the form of further cuts in tariff rates and "decisive action to liberalise consumer goods imports and agricultural exports by 1994"; (iii) accelerated financial sector reform with the accent on promoting greater private sector participation; (iv) restructuring of public sector undertakings; (v) reform of agriculture and energy; and (vi) substantial improvement of aid utilisation. At their press briefing on their return from Paris, the Indian officials dutifully announced that "financial sector reforms and fiscal correction together are on top of the government's policy agenda in the coming year". Recapitalisation of banks linked to their operational efficiency and overhauling of the rural credit structure, including of institutions such as NABARD with the emphasis on timely and adequate credit rather than subsidised lending are high on the financial reform agenda. To minimise the burden on the budget, the State Bank and a few other banks would be allowed to raise equity funds from the market. Existing private banks would be allowed to expand and some new ones to be set up. The proportion of funds pre-empted through the SLR and CRR would be lowered further. The ceiling on bank deposit rates and the floor under lending rates would be phased out, except for a single concessional lending rate set some 3 percentage points below the rate charged to prime borrowers. As for fiscal consolidation, the government would concentrate on reduction and redirection of subsidies, raising administered prices, further cuts in budgetary allocations to PSUs and completion of tax reform. The central government's budget deficit, which had overshot the target of 5 per cent of GDP by about 0.7 percentage point in 1992-93, would be brought down to 4.7 per cent in 1993-94 and eventually to 3 per cent in 1996-97.

With this goal of a further sharp reduction in the fiscal deficit, public expenditure would have to be significantly curtailed in real terms, leading to reduced demand for industrial products and recession and worsening of unemployment. The way the public sector is being sought to be restructured will also make its own contribution to the growth of unemployment. As it is, because of growing capital and import intensities labour absorption in industry suffered significantly in the 1980s. Fiscal consolidation will also mean slower growth of allocation for the social sectors, such as education and health, which have already suffered a setback in the first phase of structural adjustment. The squeeze on state finances will further hurt these sectors. There is nothing in the reform strategy to help enlarge the purchasing power of the poorer households for whom additional employment alone can be the source of economic betterment. With the size of the domestic market thus confined, the spread effects of growth will necessarily be minimal. At the same time, the resources generously left untouched in the hands of the better-off sections and the rich as also the abundant liquidity with the financial system—as a result of reduced absorption by the public sector and the softened pressures on banks to meet the credit needs of small industry and other small borrowers—are likely to be dissipated in unproductive uses, thus failing to make up for the reduced investment by the public sector. The persistence of the recession in industry is an ominous portent in this respect, though government spokespersons would rather pretend not to notice it.

HUMAN RIGHTS

False Promises

WHEN the Amnesty International team visited India last year and was assured by home ministry officials that the government would put an end to custodial torture and deaths, the team took the officials at their word and announced that there was a perceptible change in New Delhi's attitude towards human rights violation. Indian human rights activists had advised the team at that time not to rush to give the government a clean chit. Being old hands in the business of dealing with the duplicity of the home ministry, they warned that the latter's rhetoric about respecting human rights was for international consumption, while inside India people would continue to suffer in police custody.

As was expected, Amnesty International is now regretting its earlier decision to welcome New Delhi's assurances. It has brought out a report listing the deaths of three men in the custody of the Delhi police between January 1 and April 11 this year. Commenting on the incidents, Amnesty says: "...the organisation is gravely concerned about the [Indian] government's lack of determination to translate into practice the commitment to protect human rights it says it has made. It has failed to take the concrete measures—such as strengthening legal safeguards for detainees in custody—that it told Amnesty International it would take during meetings in New Delhi in November 1992."

What needs to be understood is that the government is merely changing tacks—under pressures from abroad. Unable any longer to conceal incidents of custodial deaths and dismiss them as fabrications by India's enemies (as it did before), North Block is now acknowledging them, but passing them off as aberrations. In its response to Amnesty's earlier submission of 455 cases of custodial deaths, it has admitted that in more than a third of the cases there was prima facie evidence that further action was needed against the police personnel allegedly responsible for torturing and killing suspects in police custody. Further action however remains a far cry. According to the government's own response to Amnesty's allegations, only a few of the perpetrators of custodial crimes have been brought to justice, and among their victims even less have been granted compensation.

In spite of international exposure and pressures (which are necessary), custodial torture and deaths in India will continue for a number of reasons. First, the system of pre-trial judicial confession encourages the police to extort confessions from the accused by short-cut third degree methods in order to build up the case against the accused. Petty criminals—and in a large number of cases, innocent poor people—become victims of this system. Secondly, the type of people who are recruited at the lower levels of the police force reinforces the brutalisation of the force. Brawn rather than brain is the main criterion for their recruitment. In the major metropolises of India, one hardly finds any difference between the mentality and behaviour of the police personnel and the mafia dons and criminals. In fact, some among the police move in and out from the underworld. Cases of policemen in mufti indulging in crimes are quite common. Given this composition of the police force, is it any wonder that station house officers and their subordinates in charge of local 'thanas' would indulge in sadistic torture of people who are unfortunate enough to land up in their custody?

Since it is almost impossible to change the behaviour pattern of these people—who are either congenital brutes or are trained to become brutes—as long as they man the police stations, custodial torture and deaths will remain a part of our social existence. And they will continue to be the backbone of the Indian police force since the Indian state needs them to terrorise the citizens into submission, and suppress any resistance that they might put up against the state's oppressive policies. What Amnesty International describes as the "government's lack of determination" (to protect human rights) is actually a firm determination to continue with the present state of affairs and reinforce the brutalisation of the police force.

IMF CREDIT FOR RUSSIA

Reward for Reform

THE announcement of the IMF's approval of its credit of $ 1.5 billion to Russia is significant not so much for the amount involved as for its timing. The credit is meant to support the Russian economic reform programme. The announcement came on the eve of the G-7 meeting in Tokyo to which president Yeltsin had been specially invited and within a week of the disclosure that of the $ 4 billion credit promised Russia earlier in the year by western governments, hardly $ 500 million had been put together.

The pressure on the IMF to loosen up with respect to its assistance to Russia has been growing over the recent weeks and days and that too particularly from the US. Possibly, the way the western governments themselves had reneged on their promises of financial support had something to do with the pressure on the IMF. But perhaps no less important have been the considerations of international politics. On no account is Russia to be given grounds for drifting away from the western embrace. Significantly, the Russian government was among the first few to voice unqualified support for the US missile attack on Baghdad on the basis of what has still to be established—namely, the Iraqi intelligence's hand in an alleged conspiracy to assassinate George Bush while he was visiting Kuwait. Interestingly, even Mikhail Gorbachev has gone public in condemning the US action and the Russian government's support for it.

It is also significant that out of the $ 3 billion facility recently created in the IMF to support countries effecting economic reforms, as much as half has been promised to Russia. So the rest of the member countries implementing programmes of economic reform will have to do with only the balance of $ 1.5 billion. Of course, the manner in which this particular facility has been conceived and its timing make it abundantly clear that the facility is meant to support only the east European countries. Third world countries had more or less been excluded from the very beginning, though the fact that the Fund has been charged with this additional responsibility would certainly mean a reduction in the share of Fund assistance to its other clients.

WEST BENGAL

Open Congress-BJP Alliance

Ajit Roy writes:

THERE are some elements of ambiguity in the outcome of the state-wide panchayat polls along with the elections to 16 urban municipalities held in West Bengal on May 30. The victory of the CPI(M) and its Left Front allies is decisive, but this is accompanied by some evil features with grave portents.

Out of some 61,000 gram panchayats which went to polls, the Left Front annexed about two-thirds, the CPI(M) alone accounting for nearly 60 per cent. Their successes at the higher levels of panchayat samitis and zilla parishads were even more dazzling. Indeed, all the 16 zilla parishads were captured by the Front—more precisely, the CPI(M). This was the fourth round of panchayat general elections in a row which returned the CPI(M) and the Left Front so convincingly to office.

Of the 15 urban municipalities, that went to polls on the same day, the Left Front got a majority in eight. The CPI(M) also won the by-election for one of the wards of the Calcutta Municipal Corporation held simultaneously.

The Front's successes in the rural areas are not a fluke or a freak occurrence or even the result of massive rigging as some opposition parties have vociferously alleged. Even an openly unfriendly voice like the mass circulation *Ananda Bazar Patrika* editorially conceded that since the Left Front came to office in West Bengal in 1977, "it has effected the mobilisation of a wide segment of the rural people in its favour through operation barga, distribution of land vested with the government, increase in wage rates, grant of loans through the gramin (rural) banks at nominal interest, and implementation of

various development projects. Thereafter, in successive elections, rural Bengal has been providing the necessary support to the Leftists" (June 1, 1993, translated from the original in Bengali).

Brilliant though the success is, the Left Front and the CPI(M) suffered some significant setbacks too. The opposition Congress(I) increased its tally in terms of both seats and share of votes. More, the BJP for the first time opened its account in local elections by bagging over 2,000 gram panchayat seats and securing a majority in one of the municipalities in the suburbs of Calcutta.

The movement of the basic masses in political terms behind the distribution of seats given above becomes clearer in the shift of votes. The share of left votes declined by nine percentage points from 72 per cent in the last round of elections held in 1988 to 63 per cent this time; the CPI(M)'s share dropped by eight percentage points from 66 per cent to 58 per cent. The CPI(M) and the Left Front have never in the past suffered a negative shift of votes of this dimension.

Further, it was for the first time in West Bengal that the Congress(I) and the BJP joined hands in an electoral battle openly and without a smokescreen, as they did in some localities. One of the BJP national leaders, S S Bhandari, publicly exposed this liaison (deliberately, it seems, in order to embarrass the Congress(I) elsewhere) and the fact was later corroborated by some Congress(I) leaders. This joining of forces of the Congress(I) and the BJP has an ominous significance beyond the immediate electoral calculus. Through this open, even if limited linkage, the BJP, in the supposedly left-oriented state of West Bengal, has been able to overcome the inhibition of a segment of *liberal* nationalists to align openly with 'Hindu nationalists', forgetful of its overall impact on national interests in general. It has, to say the least, made the BJP somewhat respectable in some circles beyond its direct ideological reach.

This new turn was carried forward when the Congress and the BJP objectively acted together in organising a statewide bandh, a week after the polls, on June 7 to register their protest against CPI(M) violence during and after the polls. That the bandh was a success was confirmed by the secretary of the CPI(M)'s West Bengal state committee who is also the chairman of the Left Front.

Then, the Left Front partners not only fought electoral battles against one another with much less inhibition this time in some areas, where they failed to arrive at an agreement over seat distribution, but the incidence of violent clashes between the CPI(M) on the one hand and the three other major left parties, namely, CPI, FB and RSP on the other, was higher this time than ever before. Though the number of CPI(M) victims of other parties' violence may really be as large as is claimed by it, the fact that the CPI(M)'s own violence took its toll from a wide spectrum, stretching from the Indian People's Front to the Congress(I) and the BJP, has its own negative impact on the CPI(M)'s image.

All this, further compounded by the arrogance of some of its accredited spokespersons in their public comments, has not enhanced the CPI(M)'s credibility and acceptability as the central fulcrum of an alternative left and democratic mobilisation against the visibly bankrupt Congress(I).

PSU DISINVESTMENT

Narrow Perspective

THE government has taken about a month to release even a summary of the recommendations of the high-level official committee on disinvestment of equity of public sector undertakings (PSUs) under the chairmanship of C Rangarajan. At some stage the finance minister and the prime minister's office were said to be considering initiating a debate on the committee's report before the policy on disinvestment for the current year was finalised. However, meaningful debate is hardly possible without disclosure of the rationale and context of the committee's recommendations.

Going by the summary put out by the government, the committee's report seems to be an accountant's exercise without any economic philosophy guiding it. Revitalising the operations of public sector undertakings calls for significant multidisciplinary inputs. It cannot be treated as a mere fiscal question of generating more revenue for the central budget. Unfortunately, this narrow perspective alone seems to have guided the committee's deliberations.

In one respect, the committee's recommendations are far- reaching. The committee has suggested a ceiling of 49 per cent for disinvestment in respect of PSUs in industries reserved for the public sector and of 74 per cent for other PSUs. (At this stage, it is necessary to point out that as per the July 1991 industrial policy revision, the list of industries reserved for the public sector was pruned to just eight including defence equipment, atomic energy, mining of various types and railway transport.) While the extent of government ownership in the reserved category should be 51 per cent to enable control over management, the committee was not averse to 26 per cent public ownership in exceptional cases. Under a scheme of preferential offer of shares, 5 per cent of equity may be reserved for workers and employees. In the case of PSUs engaged in certain non-manufacturing and skill-based sectors like consultancy services, this ceiling could be raised from 5 per cent to 20 per cent. The committee has also approved of selling of equity to foreign investors and non-resident Indians (NRIs), apart from mutual funds, employees of the companies and the general public (with merchant bankers and stock brokers being treated as intermediaries and not as target clientele for disinvestment). The ceiling on foreign investors' holdings and those of NRIs would be the same as applicable to their holdings in private sector companies in India. The committee has recommended that 10 per cent of the proceeds of disinvestment might be set apart for concessional lending to PSUs for their rationalisation and expansion needs. A part of the proceeds may be used in social sectors like literacy, health and employment creation in rural areas. The committee has suggested, in the light of international experience, that a standing committee on PSU disinvestment with full-time and part-time members be created. As for the method of valuation of PSU equity, the committee has felt that the choice of the method used needs to take into account the special circumstances affecting PSU operations. According to the committee, in cases of PSUs making the first sale of equity, sale through auction would be advantageous. Once a reasonable market price has been established, the fixed price method would be appropriate. In other cases, the auction method with wide participation may be adopted. The committee is apparently critical of pressure being brought to bear on the government to speed up disinvestment to fit into rigid time-tables.

It is a pity that such a serious subject as PSU reform should be dealt with thus in a narrow perspective of satisfying budgetary needs. In the first place, the objective of disinvestment should be clear. It can be only to reform the public sector, in which case the central issue is not of finance or ownership. It is essentially one of setting professional standards and procedures for appointments of chief executive, operational freedom for the PSUs, more flexible pricing arrangements, and also freeing the PSUs from the debilitating control of the bureaucracy. Given changes in these respects, there are any number of instances of PSUs, even in the developed capitalist economies, showing commendable results in competition with private enterprises.

The committee has also failed to appreciate that the disinvestment of government shares proposed will erode the resource base of the PSUs. The PSUs would find it difficult to go to the market again to raise fresh capital in competition with the government unloading its own holdings. At the same time, if the government chooses PSU equity as a source of funding for its social sector expenditure instead of mobilising resources through taxation, the overall development expenditure is bound to suffer.

Even with regard to the disinvestment process, the committee side-steps the findings of the Comptroller and Auditor

General who has pointed out that (as in the case of IPCL and SAIL) instead of the government diluting its equity holdings directly, the PSUs could issue fresh equity shares to the public, which would have the effect of diluting the government's holdings but would augment the capital base of the units.

On the whole, the report lacks a strategy of development for a situation marked by scarcity of forward-looking entrepreneurship and capital. The PSUs have played a major role in filling the gap and they should be enabled to continue to play this role if the country is not to face a very real prospect of de-industrialisation.

SRI LANKA

Uneasy Gains

THE results of the provincial council elections in Sri Lanka have provided the much-needed impetus for the new president D B Wijetunga to set in motion several changes, most importantly in the area of constitutional reform and in the manner of functioning of the government. But it is hardly likely that these measures intended to make for a more 'open' government and reassert the powers of parliament which had been greatly eroded during R Premadasa's term, will balance out the growing social and economic distress caused by the government's ongoing structural adjustment programmes.

In the May 19 elections to seven provincial councils, which were created in 1988 in the face of much criticism from the opposition, the United National Party (UNP) gained a majority of seats in four. In the western province the People's Alliance, of which the Sri Lanka Freedom Party (SLFP) is the major component and an odd mixture of left parties form the rest, won 45 seats against 41 won by the UNP. By virtue of this, SLFP leader Sirimao Bandaranaike's daughter was sworn in as chief minister. In the southern and north-western provinces, however, while the UNP was the largest single party, the combined opposition of the People's Alliance and the Democratic United National Front won more seats. The governors of the two provinces, following what the UNP decided were constitutional requirements, invited the UNP to nominate the chief ministers. The People's Alliance has since gone to court to challenge the governors' decisions in the two provinces.

Not surprisingly, the People's Alliance has won support in those provinces which contain 90 per cent of the Sinhala working class and the appeal here has been for a vote against the determined economic reforms introduced by Premadasa which have already begun to result in increasing unemployment and cuts in welfare. Premadasa's 'peoplisation' programme, which began in 1991, has seen 20 state enterprises being transferred to private hands. According to a recent report in the *Far Eastern Economic Review*, majority holdings in the PSUs, ranging from 51 to 90 per cent, have been offered for sale. The two biggest banks, the Bank of Ceylon and the People's Bank, however still remain in the public sector as does the Ceylon Petroleum Corporation which alone reportedly accounts for 65 per cent of government business activity. These measures together with the increasing cutbacks in social services have resulted in a deterioration of living standards of the poor, whose number is increasing with growing unemployment.

The success of the People's Alliance is partly a reflection of the loss of faith in the UNP programmes. Equally, the areas under the influence of the Janatha Vimukti Perumana(JVP), which is in serious disarray because of Premadasa's all-out effort to squash it, have registered this distress by abstaining from exercising their franchise or by deliberately invalidating their votes. Part of the reason for this action is of course JVP's stand that the provincial councils are a sop to the minorities. Given all this it is not surprising that the UNP's newly- introduced monthly allowance of Rs 260 for pensioners failed to convince people of the UNP's pro-people stand.

In the rural areas, however, the UNP has done well. Partly this is explained as being a defensive response to the repressive measures that the government has taken—people are too afraid to vote against the UNP—and partly it may have something to do with Premadasa's well-advertised efforts to take employment to the villages, such as the export-oriented garment units scheme. In the plantations the UNP has always had a base which has continued to support it in spite of the fact that only last year 356 tea estates, covering 42 per cent of the tea acreage in the country, were privatised. But this has however been accompanied by government pronouncements on the stringent obligations being forced on employers in regard to their employees. It is against this background that Wijetunge has to push forward his constitutional reforms and, even more importantly, seek a political solution to the Tamil issue in the north-east.

TWENTY YEARS AGO

EPW, July 7, 1973

The Planning Commission has apparently just concluded a round of discussions with the various central ministries. There is no official indication yet of how much pruning is to be done and where. But some reports have appeared indicating broadly where the axe may fall. The Fifth Plan's steel programme, it has been suggested, may be confined to the expansion of Bhilai, Bokaro and Tata Steel. The two new integrated steel plants at Vijayanagar and Visakhapatnam, whose foundation stones were laid by the prime minister herself some years ago, and the special steels plant at Salem, will, it appears, have to wait beyond the Fifth Plan to be taken up. The plan's power programme is evidently in for the same treatment. In this case, the outcome of the Planning Commission's discussions with the irrigation and power ministry is said to be a scaling down of the target of additional power generation from 21.8 mn KW to 18.28 mn KW. Similarly, in fertilisers—one of the sectors which earlier seemed to have been marked out for a major effort in the Fifth Plan—the number of new plants to be set up is proposed to be slashed from 12 to 5. So also, the proposal to set up a new petroleum refinery at Goa is reportedly being dropped. And so on and so forth.

The most striking thing about this catalogue is that these are the very sectors which had been affected the most by the plan holiday which began at the end of the Third Plan. The resultant lack of expansion of capacity in them has taken a heavy toll in terms of shortages and larger imports. The government is in jitters over the present and potential size of the import bill for steel, fertilisers and oil and oil products. And the impact on industrial production of the power shortage in many parts of the country recently is well known. If, despite this all-too-recent experience, the Planning Commission is being driven to prune Fifth Plan programmes in these very vital sectors it would be natural to presume that the resources position must be grim indeed.

But is it, really? For, while the government is cutting back public sector investment in the core sector, ostensibly on grounds of lack of resources, it has also been frantically trying to push up private sector investment, mainly through a series of relaxations of the controls on production and investment. This has inevitably meant virtual abandonment of any idea of priorities in regard to industrial investment by the private sector. Thus even as the steel programme is starved of investment, Maruti Enterprises marches towards the goal of producing 50,000 cars a year by 1975-76 and alcohol and beer manufacturing units are licensed here, there and everywhere. The paucity of resources does not evidently touch them.

These developments may appear paradoxical, but there is a logical connection among them. The uncontrollable growth of deficit spending and of non-developmental expenditure, the price spiral, the failure to push through investment programmes in heavy and basic industries, the abandonment of priorities with respect to private sector investment and the consequent concentration of such investment in the making of non-essential consumption items—all these describe a situation where the government is obviously unable to enforce controls on investment, production and consumption in the economy. Yet such capability, after all, is what planning is all about. Another way of describing the same state of affairs, is, therefore, to call it a 'plan holiday'.

Keeping Pace with Rising Demand

Jairaj Kapadia

IT is not enough to say in respect of Garware-Wall Ropes that it has fared well in the year ended March 31, 1993. And the proceedings of the company's AGM on July 7 point to further progress. This is particularly thanks to the policies of liberalisation with the accent on globalisation as they have opened up for this synthetic ropes, twines and yarns manufacturing company a vast potential in the newly developing marine food industry but also in the export markets.

There resulted during the year a significant increase in exports which recorded a rise of 64 per cent from Rs 896.61 lakh to Rs 1,474 28 lakh. The figure amounted to one-fifth of the aggregate turnover which improved with increased sales by 41 per cent from Rs 5,012 69 lakh to Rs 7,085 07 lakh while production was higher by 25 per cent from 7,003 tonnes at 8,752 tonnes. The trends have remained encouraging in the first three months of the current financial year with chairman, R B Garware, pinning further hopes on exports, as he addressed the shareholders at the AGM The 1992-93 enhanced working, meanwhile, has boosted profits significantly; the improvement was maintained down the line. With profits after tax showing a substantial rise from Rs 284 lakh to Rs 406 lakh, the company has also raised the dividend by 80 paise to Rs 3 per share.

The directors observe in their report that the liberalised economic policies have made the market situation highly competitive, but owing to its emphasis on manufacture of products of international standards, the company is excellently positioned in the domestic and export markets. A measure of this is seen in the management deciding to put on hold a proposed project for manufacture of terry towels, and instead opting to undertake a project for manufacture of fishnet webbings and also to expand capacities of the existing products at an aggregate cost of Rs 25.25 crore. The directors explain this is due to the demand for the company's products "increasing rapidly". The terry towels project was to serve the export markets. However, with the introduction of an import quota by EEC countries and there existing an excess capacity in terry towels, the directors have decided to hold the project in abeyance.

At the AGM, Garware informed the shareholders that the programme is to result in an increase of 4,000 tonnes in the capacity of existing products. The fishnet webbings project of 1,500 tonnes capacity was under way with shipment of machinery started from foreign countries. The project is scheduled for production in this November and the expansion by next January. In the meantime, the company is expanding further its presence in international markets. It is tapping the potential in countries like Chile, Vietnam and Iran where maiden shipments are being sent. It is also planning to set up rope-making units in Vietnam and Indonesia.

The Week's Companies *(Rs lakh)*

Financial Indicators	Garware-Wall Ropes		Nicholas Piramal		Stepan Chemicals	
	March 1993	March 1992	March 1993	March 1992	December 1992	December 1991
Income/expenses/profit						
Net sales	6859	4664	8648	6697	17536	13537
Excise duty	226	349	1698	1438	1420	1353
Other income	173	160	270	331	812	1393
Increase (decrease) in year-end finished stock	178	180	313	98	179	200
Raw materials consumed	3774	2659	3798	3028	14048	11080
Power and fuel	264	155	590	445	217	170
Other manufacturing expenses	530	245	385	298	62	53
Labour cost	377	258	990	766	216	123
Other expenses	1307	889	1496	1199	3417	3146
Operating profits	957	797	1972	1370	628	611
Interest charges	278	292	365	250	19	146
Gross profits	679	505	1607	1120	609	465
Depreciation	193	172	432	274	116	90
Profits before tax	486	333	1175	846	493	875
Tax provision	80	49	165	90	259	215
Profits after tax	406	284	1010	756	234	160
Dividends	85	62	177	125	40	29
Liabilities/assets						
Paid up capital	284	284	811	623	289	289
Reserves and surplus	1412	1118	3928	2350	361	231
Long-term loans	645	624	4206	2943	-	417
Short-term loans	1199	1106	1394	1614	1	230
Other liabilities	1080	886	1414	3573	2829	1772
Gross fixed assets	2963	2423	7745	6169	1305	1239
Accumulated depreciation	1406	1191	1561	208	820	743
Inventories	1182	1154	2086	565	999	931
Of which finished goods	687	509	1259	946	588	409
Receivables	883	503	1488	1018	440	393
Loans and advances	385	520	1674	1068	291	151
Cash and bank balances	96	104	194	2346	1264	940
Investments	13	13	97	98	-	28
Other assets	4	5	29	46	-	-
Total liabilities/assets	4620	4018	11753	11103	3480	2939
Key financial ratios						
Turnover ratio	1.48	1.16	0 74	0.60	5.04	4.61
Return on sales (%)	9.90	10.83	18.58	16 72	3.47	3.44
Return on investment (%)	14.70	12.57	13.67	10 09	17.50	15.02
Return on equity (%)	23.94	20.26	21.31	25.43	36	30.77
Earning per share	14.30	10.01	12.46	12.15	8.10	5.52
Dividend (%)	30	22	25	20	25	20
Book value per share	57.08	45.68	58.46	47.74	22.49	17.99
Current market price	47.50	-	162.50	-	260	-

NICHOLAS PIRAMAL

Bright Prospects

Nicholas Piramal India has disclosed that in the first two months of the current financial year the turnover of the company had increased from Rs 12.40 crore in the previous year's corresponding period to Rs 16.70 crore. For the year 1992-93 gross sales have amounted to Rs 10,346 lakh against Rs 8,135 lakh for 1991-92. Net profit also has shown a corresponding rise from Rs 756 lakh to Rs 1,010 lakh. The company

has declared a higher dividend of 25 per cent against 20 per cent for the previous year on increased share capital following conversion of partly convertible debentures. Furthermore, a 1:2 bonus issue is also recommended by the directors, which is after the company issued bonus shares in the proportion of 1:1 in 1991.

The much improved 1992-93 results give the lie to the impression that pharmaceutical companies are still languishing because of the delay in the announcement of the new drugs policy. The pharma division of the company continued to perform well and registered a 28 per cent growth. The manufacturing operations at a new plant in Pithampur were stabilised during the year and this is to give a further momentum to the company's growth plans this year.

There was a 25 per cent growth in the glass division which would have been still more but for the initial teething troubles in the new soda lime plant. The products command excellent market reputation and the division is to contribute significantly to turnover and profits in this year. A new 18 tonnes per day borosilicate sodium plant is expected to commence production in the second quarter of the current financial year. Meanwhile more new projects are to be set up in the next two years, like soda lime plant of 65 tonnes per day capacity, relining and modernisation of BRS plant, doubling of the present form fill seal capacity and a bulk drugs plant.

The increased dividend and the proposed bonus issue highlight the promising prospects of the company. At the same time, on conversion of part A of the partly convertible debentures into one equity share of Rs 10 each at a premium of Rs 40 per share, the issued and paid-up share capital has gone up to Rs 810.70 lakh and the share premium account by Rs 751.93 lakh to Rs 763.36 lakh, facilitating the fresh proposal of bonus.

STEPAN CHEMICALS

Focus on Core Business

Stepan Chemicals has fared well during its last financial year ended December 31, 1992 and has declared a higher dividend of 25 per cent against 20 per cent for 1991. The company's soaps and detergents factory at Rajpura, Punjab, remains leased to Hindustan Lever. It processed 20,745 tonnes of soaps and 26,313 tonnes of detergents under the lease-cum-processing arrangement, which showed a volume increase of 22 per cent over 1991. This was the highest ever production. It earned the company lease rentals and processing charges of Rs 741 lakh. This forms part of 'Other Income' of which the total amount has declined from Rs 1,393 lakh to Rs 812 lakh in the absence of income on account of clearing, forwarding and other services which in the previous year had amounted to Rs 684.84 lakh.

But the company is dealing in synthetic detergents processed by third parties and on account of sales of these it earned an income of Rs 18,424.42 lakh, more as compared to Rs 14,025.02 lakh in the previous year. It also deals besides in personal products, having earned Rs 41.19 lakh for the year, and in marketing of an organic manufacture and imported DAP the sales of which aggregated Rs 490.77 lakh against Rs 322.58 lakh in the previous year. However, the company has now discontinued handling and distribution of those products and decided to concentrate on its "rapidly growing core business".

This obviously is in the area of synthetic detergents for which the company has consolidated position in the rural areas and started work on a new detergent powder plant at Dharwar in Karnataka. The plant is to cost Rs 3 crore and is being financed with internal accruals. It is expected to commence production shortly.

CAMPHOR AND ALLIED PRODUCTS

Squeezed Margins

Gross sales turnover of Camphor and Allied Products for the year ended March 31, 1993 has recorded a rise of 37 per cent from Rs 5,429 lakh to Rs 7,434 lakh. This follows amalgamation with the company of the erstwhile Pine Chemicals (PCL) engaged in the manufacture of rosin and turpentine from oleo pine resin at Nandesari, Baroda, with effect from April 1, 1992. Of the three divisions now under the company, camphor division contributes Rs 6,037 lakh in sales, 25 per cent more as compared to Rs 4,815 lakh in the previous year. Of the balance Rs 658 lakh came from profeel division and Rs 739 lakh from rosin division. As against increase in turnover, gross profit has recorded a decline from Rs 866.44 lakh to Rs 820.60 lakh and net profit, after provision of Rs 192.60 lakh (Rs 182.60 lakh previously) for depreciation, Rs 315 lakh (Rs 340 lakh) for taxation and for other allocations, has amounted less at Rs 312.10 lakh against Rs 329.49 lakh in the previous year. The directors have recommended a dividend of Rs 3 per share on enhanced share capital following the issue of shares to the shareholders of the erstwhile Pine Chemicals besides a rights issue made during the year.

The directors report that despite increased productivity and even a better price realisation, operations of the camphor division were affected by cost escalation and particularly by an increase in the price of imported turpentine following the steep devaluation of the rupee and the consequent impact on import duty. Further, user industries, viz, paint, rubber and tyre and pharmaceuticals, experienced recessionary conditions. Similarly, the profeel division suffered as a result of the severe recession in the electronic industry resulting in reduced offtake of the packaging material and also stiff competition with other manufacturers mainly on account of tax concessions enjoyed by them. Increase in raw material costs had to be partly absorbed due to recessionary trend in the market.

INDIAN RAYON AND INDUSTRIES

Growth Plans

Indian Rayon and Industries has posted excellent working results for the nine-month period ended March 31, 1993. Turnover at Rs 607 crore is higher by 22 per cent on an annualised basis. Gross profit at Rs 84.50 crore has improved by 34 per cent and net profit at Rs 43.6 crore has improved by 54 per cent on an annualised basis. Earnings per share during this period are Rs 22.85 on an annualised basis, as against Rs 14.87 last year. The directors

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have recommended a dividend of 50 per cent (Rs 3.75 per share, *pro rata* for nine months) against 40 per cent (Rs 4 per share) in the previous year.

These results, the best ever, are due to improvement in production, productivity, operating efficiency, product-mix and quality of products recorded in all divisions of the company. Exports for the nine-month period were Rs 69.91 crore as against Rs 59.27 crore in the previous year, representing an increase of about 60 per cent on an annualised basis.

The company is planning to invest more than Rs 800 crore over the next three to four years in the following projects: (1) argon gas plant with a capacity to produce 3.45 million M3 argon gas, involving an outlay of Rs 48 crore, which is likely to be commissioned by September this year; (2) expansion of carbon black plant from 20,000 tonnes to 40,000 tonnes per annum at an estimated cost of Rs 72 crore, likely to be commissioned by September/October; (3) sea water magnesia plant to manufacture 50,000 tonnes per annum of high purity refractory grade magnesia at an estimated cost of Rs 240 crore, to be commissioned by early 1995; (4) a 12 MW cogeneration captive power plant for the rayon division at an estimated cost of Rs 70 crore to be commissioned by the middle of 1995; (5) expansion of capacity of the cement division by about one million tonnes at the existing plant at Gulbarga at an estimated cost of Rs 300 crore; and (6) marginal expansion, replacement, modernisation and installation of balancing equipment in the existing divisions over the next two years at a cost of around Rs 80 crore.

In order to finance some of the above projects, the company has now finalised plans for issue of zero interest fully convertible debentures (FCDs) and non-convertible debentures (with detachable equity warrant) for an aggregate amount of over Rs 340 crore respectively as follows: to the existing shareholders, on rights basis, Rs 88.20 crore and Rs 155.64 crore; to the permanent employees of the company, Rs 4.41 crore and Rs 7.78 crore; and to the promoters/companies of the management group, Rs 32.40 crore and Rs 53.40 crore. The FCDs to shareholders and employees will be issued in the proportion of one FCD for every five shares held and will have a face value of Rs 170 each. Each FCD would be converted into one equity share on July 1, 1994 at a premium of Rs 160. The FCDs to be issued to the promoters and group companies will have a face value of Rs 200 each and will be converted into equity shares at a premium of Rs 190 each on July 1, 1994. Each non-convertible debenture (with a detachable warrant) will have a face value of Rs 300 and carry interest at the rate of 16.5 per cent per annum. The NCDs will be offered to existing shareholders in the ratio of one NCD for every five shares held. Each of these debentures will carry a warrant for equity share to enable the holder to get one equity share at a premium not exceeding Rs 190. Such option will be exercisable any time between 18 months to 36 months from the date of allotment, as may be decided by the board of directors of the company. The company has made arrangements for shareholders to sell the non-convertible debentures at a discount of Rs 25 per debenture, whilst retaining the equity warrant with them. The proposed NCDs have been rated by ICRA and have been accorded 'LAAA' (pronounced as L triple A) rating, the best rating given for NCDs. The proposed issue is scheduled to open in September.

IN THE CAPITAL MARKET

Core Organics

CORE ORGANICS, which is jointly promoted by Avtar Singh and his associates and the Punjab State Industrial Development Corporation is setting up a project for manufacture of benzaldehyde (700 tonnes per annum capacity), benzyl alcohol (200 tonnes capacity) and benzyl acetate (200 tonnes capacity) at Patiala, Punjab, with the PSIDC having a 25 per cent stake in it. The project to start this October is appraised by IDBI to cost Rs 5.60 crore, which is being met with equity of Rs 3.10 crore, term loan of Rs 2.35 crore and state capital subsidy of Rs 15 lakh. The company already has an issued and paid-up share capital of Rs 1.49 crore. It is now issuing 16.07 lakh equity shares of Rs 10 each at par and offering 15.14 lakh shares to the public. Following the public issue, the promoters' stake will stand reduced from the present 100 per cent to 51 per cent. Indbank is the lead manager of the issue which opens for subscription on July 19. IDBI has projected for 1993-94 sales of Rs 2.76 crore at 65 per cent capacity utilisation and net profit and EPS at Rs 43.49 lakh and Rs 1.40, respectively. However, the company has estimated 85 per cent capacity utilisation to yield sales of Rs 4.31 crore and net profit of Rs 93.43 lakh and EPS of Rs 3.34. Full capacity utilisation is envisaged by the year 1995-96 when sales are estimated to amount to Rs 8.71 crore, net profit to Rs 1.46 crore and EPS to Rs 4.71.

Ashapura Minechem

Ashapura Minechem, an existing company promoted by Navanitlal Shah in the field of mining and processing of bentonite lumps (80,000 tonnes per annum capacity) besides powder and mined minerals like China clay, calcium carbonate and barytes in Bhuj, Gujarat, is offering to the public 6 lakh equity shares of Rs 10 each at a premium of Rs 40 per share. The issue, managed by BOI finance, opens on July 21. The company is undertaking a Rs 4 crore expansion covering production of one lakh tonnes high quality special grade RST bentonite per annum. The project is appraised by Bank of India. It is being financed with Rs 3 crore equity (including premium amount), internal accruals of Rs 85 lakh and cash subsidy of Rs 15 lakh. The premium amount of Rs 40 on public issue is explained by the company by its 1992-93 EPS of Rs 7.48 and equity's book value of Rs 20.09. But in terms of the CCI formula earlier, the premium works out to Rs 20 per share. With the expansion programme which is expected to go on stream by September, the company has projected for the years 1993-94, 1994-95 and 1995-96 sales respectively of Rs 26.26 crore, Rs 29.36 crore and Rs 33.14 crore and net profit Rs 3.33 crore, Rs 3.71 crore and Rs 4.04 crore. EPS is to correspond to Rs 11.12, Rs 12.37 and Rs 13.45 respectively for the three years.

Vamotiwala Chemical Industries

Vamotiwala Chemical Industries is establishing a project at MIDC Mahad in Raigad, Maharashtra, to manufacture 1,000 tpa of glycol ether and ethylene oxide condensate emulsifier, 600 tpa of vinyl sulphone and 3,000 tpa of ethyl acetate which have applications in oil, leather, paint, cosmetic, lubricant, dye, bulk drug, fertiliser, rubber and textile industries. The company has already commissioned the first phase of the project involving the manufacture of glycol ether and ethylene oxide condensate emulsifier and has earned cash profits of Rs 15.53 lakh on a turnover of Rs 165.52 lakh in the first six months of phase I of production. Commercial production of the other products is to commence by the last quarter of 1993. The company has signed an MOU with Schell Chemicals for exporting up to 60 per cent of the production of vinyl sulphone and ethyl acetate. Sales turnover in the next three years based on 60, 75 and 90 per cent capacity utilisation are projected at Rs 1,190 lakh, Rs 1,488 lakh and Rs 1,786 lakh. To part finance the cost of the project at Rs 639 lakh, the company is entering the capital market with a public issue of 30,00,000 equity shares of Rs 10 each for cash at par aggregating Rs 300 lakh. The remaining portion of Rs 339 lakh is being taken care of by the promoters' contribution (Rs 160 lakh), term loans from banks (Rs 79 lakh), hire purchase (Rs 75 lakh) and state subsidy (Rs 25 lakh). The issue which opens on July 27 is lead-managed by SBI Capital Markets and Bank of Baroda. Listing of the shares at Bombay, Ahmedabad and Delhi stock exchanges will be done.

–JK

STATISTICS

Index Numbers of Wholesale Prices

(1981-82 = 100)

	Weight	Latest Week 19-6-93	Variation (per cent) Over Last Month	Over Last Year	Over March 27, 1993	1992 93	1991-92	1990-91	1989-90
All Commodities	100 0	238 2	1 0	6 1	2 2	9 8	13 7	10 3	7 5
Primary Articles	32 3	237 2	0 8	1 5	2 2	7 3	18 1	13 0	2 2
Food Articles	17 4	274 7	-0 3	1 1	2 3	12 3	20 2	11 8	1 2
Non-food Articles	10 1	229 7	3 1	2 0	2 4	-0 6	18 0	17.0	3 6
Fuel, Power, Light and Lubricants	10 7	254 3	3 4	18 8	3 4	14 1	13 2	12 3	3 6
Manufactured Products	57 0	235 7	0 7	6 7	1 9	10 5	11 3	8 4	11.3

Cost of Living Indices

	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992 93	1991 92	1990-91	1989 90
Industrial Workers	1982 = 100	246[5]	0 4	5 1	1 2	9 9	13 5	11 2	6 5
Urban Non-Manual Employees	1984-85 = 100	205[3]	—	6 8	6 8	10 4	13 5	11 0	6 9
Agricultural Labourers	July 60 to June 61 - 100	1,039[4]	1 3	0 7	1 3	12 3	19 3	7 5	3 2

Money and Banking

	Unit	Latest Fortnight 11-6-93	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992 93	1991-92	1990-91	1989 90
Money Supply (M_3)	Rs crore	3,79,130	-1,202 (-0 3)	43,717 (13 0)	16,766 (4 6)	46,316 (14 7)	49,560 (18 5)	34,486 (14 9)	37,457 (19 4)
Net Bank Credit to Government Sector	Rs crore	1,87,630	799	19,732	11,456	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,861	18	24,678	4,802	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	26,584	-431	5,551	903	6,155	10,098	1,915	-149
Deposits of Scheduled Commercial Banks	Rs crore	2,76,330	819 (0 3)	35,628 (14 8)	9,183 (3 4)	36,389 (15 8)	38,217 (19 8)	25,583 (13 3)	26,809 (19 1)
Advances of Scheduled Commercial Banks	Rs crore	1,56,296	34 (Neg)	22,788 (17 1)	5,242 (3 5)	25,462 (20 3)	9,291 (8 0)	14,848 (14 6)	16,734 (19 8)
		Latest Week 2 7 1993							
Foreign Exchange Assets (excluding gold)	Rs crore	20,686	782	2,823	490	5,385	10,223	-1,383	795
	US $ mn	6,607	280	313	140	746	3,383	1,137	-854

Index Numbers of Industrial Production

(1980-81 = 100)

	Weight	Latest Month (Feb 93)	Averages for* 1992 93	1991 92	Variation (per cent) 1991 92	1990-91	1989 90	1988 89	1987 88
General Index	100 0	220 8	211 6	2 1	207 2	0 2	8 6	8 7	7 3
Mining and Quarrying	11 5	241 0	218 8	0 9	216 8	0 9	6 3	7 9	3 8
Manufacturing	77 1	210 5	202 3	1 8	198 7	1 4	8 6	8 7	7 9
Electricity	11 4	270 5	267 4	4 9	255 0	8 7	10 8	9 5	7 7
Basic Industries	39 4					3 8	5 4	9 9	5 6
Capital Goods Industries	16 4					17 4	22 4	7 0	15 9
Intermediate Goods Industries	20 5					6 1	4 3	11 5	4 8
Consumer Goods Industries	23 6					10 4	6 3	4 2	6 5
Durable Goods	2 6					14 8	1 7	12 0	7 8
Non-Durable Goods	21 0					9 4	7 5	2 5	6 2

Foreign Trade

	Unit	Latest Month (March 93)	Cumulative for* 1992 93	1991 92	1992 93	1991 92	1990 91	1989-90	1988-89
Export	Rs crore	6,086	53,351	44,042	53,351 (21 1)	44,042 (35 3)	32,553 (17 6)	27,681 (36 8)	20,232 (29 1)
Import	Rs crore	5,425	62,923	47,851	62,923 (31 5)	47,851 (10 8)	43,193 (22 0)	35,416 (25 4)	28,235 (26 9)
Balance of Trade	Rs crore	+661	9,572	3,809	9,572	-3,809	-10,640	-7,735	-8,003

Employment Exchange Statistics

	Unit	Latest Month (Dec 92)	Cumulative for* 1992	1991	1992	1991	1990	1989	1988
Number of Applicants on Live Register	Thousand	36,759	36,759	36,300	36,759	36,300	34,632	32,776	30,050
Number of Registrations	Thousand	397	5,302	6,238	5,302	6,238	6,541	6,576	5,963
Number of Vacancies Notified	Thousand	40	421	460	421	460	490	599	544
Number of Placements	Thousand	24	240	254	240	254	266	289	330

National Income

	Unit	1992 93	1991 92	1990-91	1989 90	1988 89	1987 88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore			3,50,899	2,94,765	2,60,03	2,33 799	2,08,53	1,86,723
Gross Domestic Product (1980 81 prices)	Rs crore	2,21,168 (4 2)	2,12,316 (1 2)	1,88,009	1 70,205	1,67,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2 2)	2,174 (-1 1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year Not available

Notes. (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on
(2) Figures in brackets denote percentage variations over the comparable period of the previous year

Calcutta Diary

AM

Poor P C Mahalanobis. The Professor, whose centenary is currently being celebrated with much demureness, had lost his way. He read his people wrong and constructed an autarkic model which made no reference to the foreign sector. It was therefore bound to come a cropper. It duly did. There was, for some subsequent time, much confusion, but all is well that ends well, we now belong, inalienably, to an international economic system. How does it matter if we are one hundred thirty-fourth in a class of one hundred seventy-three?

AN American bank functioning here had little respect for the country's laws. A direct method was employed by it for recovering money it had advanced to customers in case the latter defaulted on due instalments; it would set private goons after the offending parties, Indian civil and criminal procedure codes be hanged. Even a few years ago, there would hardly be any defender of the manner the bank had gone about; on the contrary, had the matter been reported in the press, letters would flood newspaper offices urging revocation of the bank's licence. At least no Indian citizen would go public in defence of the bank's conduct. We however now live in a different ambience. A contribution in a daily paper had mildly criticised the bank's taking the lawless route, which, it was suggested, was a challenge to the country's sovereignty. The reaction to the published piece is flabbergasting. Several angry letters have been addressed to the paper. It is evidently *lese-majeste* to criticise a foreign bank, more so, an American bank. If it had engaged private goons to recover its money, it had done a jolly good thing, why should it be hamstrung by the lugubrious processes of Indian legality? That bank epitomises efficiency; efficiency means maintenance of a high margin of profit, which is contingent upon collecting outstanding receivables on schedule. For achieving that objective, the bank was entitled to take recourse to whatever procedure it regarded best, and let not the wretched government dare to interfere on the ground of silly legality. Would that foreign bank—one of the leading banks in the world—be expected to pattern itself after the habitually-loss-making, proverbially inefficient nationalised banks in this country? Did not the editor of a responsible newspaper have better things to do than print such crap libelling saintly foreigners? Patriotism, who does not know, is the last refuge of scoundrels.

This is of course inverted jingoism. Foreigners, right for wrong, or, rather, foreigners can never be wrong, they are by definition right. The episode illustrates a remarkable transition in the Indian middle class mind-set. Pride in the country has been substituted by a different variant of emotion, pride in the surrender of the country's dignity to foreign carpet-baggers. A charitable interpretation of this change in attitude would be to put it down to the strides globalisation has made in recent years. The countrymen have been fully liberalised. They are liberated from past hang-ups. They are no longer interested in demarcating national barriers or entities; they choose efficiency, and do not care whether the party they have chosen carries a home or foreign trade mark. The shibboleth of political or economic sovereignty they are able to recognise, in no time, as just that. What, after all, is the basic element in sovereignty? We want to be autonomous so as to be able to exercise freely our judgment on how to reach a better base of material welfare. If globalisation helps us to reach that goal in the fastest possible manner, why bother about inessential other details? The best patriots are surely those adept at picking foreign parties who know their job truly and well and who will pass on their knowledge to us. That is the key to national prosperity, and, please, let there be no silly remarks about the East India Company syndrome. One wishes that that company had never left; we might then have by now displaced China from the third position in the International Monetary Fund roster, we would perhaps have even made the grade in the honours list of the *World Development Report*.

But one must be fair, first impressions are generally deceptive, the emergence of this mind-set is hardly the outcome of the goings-on in recent years. Its roots stretch way back, and perhaps have an unbroken continuum with the days of yore. Thirty years ago, V S Naipaul had hit the nail on the head: the craze for foreign products was not a stray aberration, it was an absorbing total civilisation. To suggest that this civilisation came alive only after the departure of the British would be to take liberties with the reality as it always has been. Even when the freedom struggle was in full throttle, and anti-British sentiment was reportedly at its height, a hint of ambivalence marked the proceedings. Most of the polemics of patriotism was of course conducted in English. This was so not merely on account of the absence of any obvious other lingua franca which could have brought together on a common platform orators and pontificators from the different parts of the country. The national leaders had attained the coveted positions they did largely because they took to English as a duck takes to water; proficiency in the queen's language was the capital asset which underwrote their social status. They were fierce patriots, but conformed, equally fiercely, to the imperial ethos of *chota* and *bara hazaris*. G D Birla nagged and nagged at Mahatma Gandhi in order to persuade him to endorse the boycott of Lancashire textiles. Gandhiji however had little illusion; the task, he knew, was hopeless, few leading Congress households would make any bones about possessing two sets of apparel—the khadi garb for swadeshi meetings, and imported finery for normal perambulations. The dichotomy was reflected once more in the on-again off-again attempts to introduce prohibition on a voluntary basis: leaders would take the teetotaller's oath, but for the sake of public relations; it did not need to be taken seriously, nor need it lower one's thirst for foreign whisky. True, exceptions like Jawaharlal Nehru thought whisky to be a barbarian drink; they chose wines instead, Rhine or Mossel.

Scholars have since unleashed the proposition that nationalism itself was an imported product, it came with the British. The ideology of nationhood had apparently not bothered Indians in the past. They knew of kings and empires; they were also conversant with the reality that kings and emperors, or their local representatives, would, from time to time, demand tributes, which have to be paid with expedition whatever the resulting strain to daily living. The occasional appearance of a royal presence nonetheless belonged to the genre of a natural law; it was taken in its stride. Otherwise Indians were accustomed to survive on a miniature scale; the village was the basic unit of social existence, even the fellows across the ditch or canal or rivulet were deemed to be foreigners. In due course, a distinction was sought to be made between run-of-the-mill foreigners and those who, arriving on horseback, demanded tribute and subjugation. This was the beginning of the identification of royalty with the exotic presence. The Hindukush was *prima facie* a range of mountains, but it also gradually came to connote an advancing army, bands of foreign intruders who imposed themselves, but not too intensely. These would-be-royal foreign parties would perhaps appoint a local tax-collector, and withdraw. The social distance led enchantment to the view. The Hindukush ceased to be a formidable barrier, it became the virtual *laissez-passer* for entry into our plains and terrains. It soon became a fixation too: Hindukush lets in the foreigners, who are kingly and handsome, who possess superior arts and superior graces, who are worthy enough to dominate us, and are therefore entitled to dominate us. Bit by bit, the humble village folk, millions of them, occupying hundreds of thousands of hamlets which comprised India, slipped into a frame of mind besotted by the craze for foreign species:

whoever arrived from across the Hindukush were divine and were to be received with open arms and gift cheques. In lieu, these visitors would teach us civilisation and efficiency.

On each occasion, those who came in constituted a new superstructure. Most of the time, they had little trouble in coping with the old superstructure. The latter perhaps disintegrated for biological reasons; sometimes some muscle power had to be deployed to make it see reason and liquidate itself. Here and there, the superstructure would assume the form of a mighty empire. It was however always a hot country, and large masses experienced difficulty in maintaining their immaculateness for any length of time. This made it easy going—or shall one say, easy coming—for every fresh bunch of foreigners. For generations on end, the inhabitants in the umpteen little village units went through a uniform experience. The foreigners came, came, ever came; they came, but they kept their distance, they did not bother to get assimilated. That helped to sustain the romantic notions the villagers cherished about foreigners. Foreigners were god, they were unreachable. It was not possible to attain godliness that distinguished the alien visitors, but there was no harm trying; our forebears therefore desperately emulated the foreigners even while the latter extracted, via agents, the taxes due to them.

Throughout history, in the eye of the native-born, foreigners retained their dazzle and glamour. A smattering amongst them inter-married with the natives, became apostates, or through other accidents lost their caste. Thank goodness, a hard core was however always there to ensure the permanence of pristine qualities that defined foreigners. Foreigners, it was held as axiomatic, were superior to you and me, they arrived, unfailingly, in order to dig us out of the quagmire we habitually sank in, they arrived to teach us civilisation, sometimes they arrived to make us aware, in the manner of, a Max Mueller, that we once had a civilisation, or in the manner of others to assure us that we had even pornography in those wondrous days of yore. This, then, is the essential point to stress: unless foreigners vetted it, we refused to take cognisance of our history. Our geography too has consistently been what foreigners decided to make of it.

Since hate is a form of love, we have been wont to experience periodical bouts of patriotism. The latter hardly ever took the form of xenophobia though: the ambience was of afternoon cricket in the village green. In any event, the nationalism which inundated the Indians in the second half of the 19th century and the first half of the 20th was an imported product too, impeccably foreign-made. Nationalism became respectable because it had foreign pedigree, the relevant concepts were lifted from the books and journals shipped every week from England. Where would we be if our dear adversaries, our masters, had not taught us about nations and nationalities or about antagonistic and non-antagonistic relationships? It is they who made our patriotic day. We got to know from them about the Boston tea-party; we have never tired of the cliche 'no taxation without representation' ever since. We stuffed ourselves with Hobbes, Locke, Comte and Dicey. We got equally fascinated by the Irish question, what with Parnell and McSweeny and the Sinn Fein. The role models were there; we only slipped into the assigned roles, roles assigned by us for ourselves. And should we not be honest, did not our young men, while returning from their digs at Oxford or Cambridge, bring in the early shipments of Lenin and Bakunin and Lunacharsky? We were, in all seasons, the echo, never the voice.

There is little point therefore in taking umbrage at the current phase of the head-over-heels love affair with foreign products and productions. It is neither an aberration nor a temporary situation; it is celebration, in our unique, inimitable style, of our return to roots. Should a whiff of scepticism begin to assail you, please look up the Upanishads, it is all there in the learned books. From the time of the Aryans, we have stuck to our ground: the home is the universe, and vice versa. We adore foreigners, foreign ideas, foreign goods, foreign masters. Whatever its superficialities, the freedom movement was no deviation. Much can actually be said in defence of the theory that the Nehru-Gandhis were preferred as post-independence royalty because, amongst the national leadership, they provided the appearance of being the most foreign, and were accordingly at the receiving end of the most admiration. The Nehru-Gandhis belonged, and yet did not: they were remote, superior, foreign. They proffered love for the countrymen, and yet could not be more condescending to them. That was the hallmark of pedigree; countrymen learnt to swoon at their feet.

Poor P C Mahalanobis. The Professor, whose centenary is currently being celebrated with much demureness, had lost his way. He took the leaders—and the people—of this country at their face value. Whether he had come across Feldman before he decided to construct his four-sector growth model is hardly of any importance; what is relevant is that he read his people wrong and constructed an autarkic model. It was a closed system, growth was supposed to explode from out of it if only its severe conditionalities, including the one about continuing to produce machines which would produce other machines, were adhered to. What a scandal, the model made no reference to the foreign sector. It was therefore bound to come a cropper. It duly did. There was for some subsequent time, much confusion, but all is well that ends well, we now belong, inalienably, to an international economic system. How does it matter if we are one hundred thirty-fourth in a class of one hundred seventy-three?

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'The Task Ahead' : More Empty Boxes

K S Krishnaswamy

The finance ministry's discussion paper on economic reform is a document of the mandarins who are confident that no matter what happens to other people or elsewhere in the country, they are firmly established in the seats of power and therefore can call the shots, regardless of who or which party constitutes the elected government.

A PRIMARY feature of Narasimha Rao's government is the announcement of major policy decisions, or of important views on the government's position, in the interregnum between parliament sessions. This applies to the finance ministry much more than to the others, though all of them are tending to do so more or less regularly. Consequently the release of the government's discussion paper on 'Economic Reform: Two Years After and the Task Ahead' (by Montek Singh Ahluwalia?) some days back entirely conforms to current practice. Apart from other things it also indicates the dominance gained by the bureaucracy in matters of policy formulation

The discussion paper contains no surprises of any kind, nor does it throw any clearer light on the country's medium-term prospects. Like all government statements the goals it sets out in general terms are as unexceptionable as motherhood and 'dal-roti'. But what follows bears little relationship to the profound statement that "the only durable solution to the cure of poverty is sustained growth of incomes and employment: in agriculture, in industry and in services". The preamble goes on to talk about additional investment in farms, in infrastructure, in manufacturing industry and "above all, in people". This has been the government's refrain for some time now, and has become somewhat louder after the *Human Development Report, 1993* demonstrated how poorly India has done in comparison with other countries in providing the essentials of life to the people. It has also been sanctified now by the urgings of the World Bank that more needs to be done in the areas of education and public health, especially by the government. For the rest the paper hardly contains anything that has not been discussed threadbare in the last two years. The obvious inference is that this is all part of an arranged set of rites and ceremonies to be carried out before the government goes again to the IMF and the World Bank for the next instalment of exceptional financing'.

The Reform Agenda for the next three years set down in Section III of the discussion paper exhibits the same order of priorities as before with one minor difference. Between the top priorities of fiscal consolidation and financial sector reform, seven brief paragraphs have been interposed on the important subjects of human resource development and employment and poverty alleviation. When one turns eagerly to these paragraphs to see what these programmes mean, one is not just astonished but depressed by their inanity We are told in all seriousness that we must spend much higher shares of the budgets for education and health, on primary education, basic health care and women and children welfare. The paper does *not* say that the shares of education and health expenditures as a proportion of total public expenditure should go up, but only that out of whatever amount is provided for these purposes in the budget, more should be spent on primary education, basic health care and women and children welfare. There is no recognition of the fact that over the years budgetary provisions for these items have been drastically reduced in real terms, and given the immensity of the tasks ahead, minor rearrangements within a scanty budget allocation seem hardly worth the name of determined effort at human resource development. There is no disputing the fact that primary education and basic health care have to be accorded a higher priority, as the discussion paper says. But to believe that with better targeting of public expenditure and no substantial increase in total resource allocation for human resource development, we can reach the goals that we ought to have reached long back is to indulge in fancy.

Even these brief statements suffer from the obsessive concern of those in charge of government to make beneficiaries pay for the services provided to them. Obviously public education and health services cannot be free for the rich and the poor alike, and there is no question but that fees should be charged to those who are palpably capable of paying. But this is side-tracking the main issue of what the overall responsibility of the government should be in this area The section on human resource development ends with the pregnant observation that "private providers must be encouraged to supplement public provision". Again one can recognise that in both education and health services not everything can be or need be done by the public sector. But if private enterprise is to run schools and colleges and hospitals and diagnostic centres, the state has the responsibility to ensure that private agencies do not become a means of ruthless exploitation of the needy. The ongoing dispute about capitation-fee institutions and five-star hospitals charging unconscionable amounts for diagnosis or treatment are proof enough of what the private sector is likely to do in these areas, which are typically unsuitable for market-oriented solutions

In a similar fashion the two paragraphs on employment and poverty alleviation (paragraphs 54 and 55) are indicative of the complacence with which these serious issues are viewed in the ministry of finance. A matter that has been repeatedly brought up in discussions of development policy is the difficulty of ensuring simultaneously a rapid and sustained growth of both output and employment. Our own experience in the commodity-producing areas in India is indicative of this Even more, the chronic problem of unemployment that the developed countries are facing underlines the extraordinary difficulty of ensuring sustained growth of employment with the lag in human resource development that we have, the problem of creating additional employment opportunities in the context of import of highly capital-intensive technologies is all the more complicated. One would have thought that this section deserved something more than a rehash of IRDP and the Jawahar Rozgar Yojana. But that is all there is; and after that we are back to 'better targeting' as the ultimate solution!

What about agriculture, which has been crying for greater attention? Once again we have the standard prescription: public investment in agriculture-related infrastructure should be increased; this can happen *only if* the huge subsidies being provided for water, electricity and fertilisers are contained This according to the discussion paper 'is the key'. We are back to a repetition of making beneficiaries pay and cutting out the various subsidies from the budget. But the link between doing this and increasing investment in agriculture-related infrastructure is not obvious. After all is not the main purpose of reducing or removing subsidies to bring down the fiscal deficit to around 5 per cent of GDP by 1996-97? Unless one accepts the finance ministry's hope that better tax administration and greater honesty amongst tax payers will automatically enlarge tax yields in a greater measure than the growth in GDP, there is no guarantee that agricultural investment in the public sector can be stepped up merely on the strength of levying user charges in irrigation, etc.

The only other additional responsibility placed on the public sector is to upgrade the quality of research and extension support. Even here the wording of the document is such as to leave in doubt the precise role the public sector has to play. We then have the expected call for more private investment in the agricultural sector, and the changes in government policy which should be undertaken to make this possible. However, despite all the planning that we have had since independence the bulk of agricultural investment has always been private investment—by millions of medium and small farmers who have for the most part provided the necessary savings or borrowed. Despite the extension of the co-operative credit and commercial banking networks, the poorer farmers have rarely benefited from institutional credit and have depended on the local moneylenders When the government now says that private investment in agriculture will have to be resurrected, the question naturally arises how and by whom? Like everything else agriculture is to be globalised and export opportunities opened up under the new regime. Since in all likelihood the government will also subscribe to the Dunkel proposals, one may perhaps also expect corporations which have patented their biotechnological products wanting to invest in agriculture in India. To the policy-makers in Delhi, who are fascinated by their macroeconomic models, all this is fine as long as there is a net addition to agricultural investment and the introduction of new technologies to raise farm productivity. But these will inevitably mean a sea-change in the agrarian sector, with unpredictable consequences on existing farmers. They will also mean the commerciali-sation of agriculture in a manner that is not necessarily conducive to greater employment in that sector.

Thus when one looks for new directions of action in vital areas affecting education, health, employment and food security of the people the discussion paper throws little light on what the government intends to do. As for other areas—namely, fiscal reform, financial sector reform, trade and foreign exchange policy and industrial policy—there is merely the statement that we continue to move along the same road. This has become so much of a worship of the market and the private sector and a denigration of the public sector that there is hardly anything new that can be said about it. In the grand style of the non-institutional and ahistoric positivists, the political and social transformations that have occurred in India as well as outside in the last two years have been blissfully ignored. One has the lurking suspicion that this is really a document of the mandarins who are confident that no matter what happens to other people or elsewhere in the country, they are firmly established in the seats of power and therefore can call the shots, regardless of who or which party constitutes the elected government. As long as this lasts, the unemployed, underprivileged and the poor have to be satisfied with such 'trickle-down' benefits as come their way in the wake of the so-called policies of liberalisation and globalisation.

NEW DELHI

The Scam and Economic Reform

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It is, of course, essential to take stringent action against those guilty of fraud and corruption, but it is the so-called economic reform programme of the Narasimha Rao government which needs to be questioned squarely in the light of the stock market scam and its impact on the economy and polity.

AS the probe into the great stock market scam by the Joint Parliamentary Committee (JPC) proceeded, its policy and political dimensions were bound to surface more and more sharply. The charge that the prime minister himself accepted tainted money from Harshad Mehta in exchange for his 'blessings' has yet to be proved But so are the charges against Harshad Mehta for his part as the principal accused in the scam. The ramifications of the scam have still to unfold fully Will the JPC be able to unravel the full story and reveal the whole truth behind it is yet to be seen The postures and tactics, all too familiar, adopted by Narasimha Rao to fight 'politically' the charge levelled against him by Harshad Mehta must, however, make matters extremely intractable and complex for the JPC. In its draft report prepared before the revelations by Harshad Mehta;the JPC had confirmed financial irregularities on a large scale. It had also taken due note of the infringement of rules and regulations by various agencies and high officials and ministers of the government in order to arrange the flow of public funds for speculative trading by brokers on the stock markets. If, however, the stock market scam is looked upon as only the handiwork of brokers, working in collusion with some corrupt bank managers, bureaucrats and politicians in the government, the JPC will tell only half the story of the scam—its surface manifestations rather than its far more potent inner impulses.

The depositions before the JPC have been revealing of the genesis of the stock market scam, its nature and dimensions as well as the policy environment in which it flourished. The evidence of the former Reserve Bank governor R Venkitaramanan, for instance, showed that the official stance that the scam was an aberration, a case of fraud by some clever and unscrupulous individuals, was totally lacking in conviction. The fact that the stock market scam erupted shortly before the presentation of the budget for 1992-93, as has been pointed out by Harshad Mehta in his statement on payment of slush money to the prime minister, was not something fortuitous. R Venkitaramanan specifically told the JPC that he had informed the finance minister about the irregularities in December 1991, but he was advised not to take any action because of the impending budget. The budget, when presented, gave a big boost to speculative activity in the financial markets. The finance minister was obviously anxious not to do anything at that juncture which would give the 'wrong signals' on the economic policies of the government. The most important announcement in the budget, which acted as the catalyst for the speculative spree, was that stocks and shares would henceforth enjoy preferential fiscal treatment as productive assets in respect of wealth and capital gains taxes. The budget also launched a massive 'operation whitewash' for black money which was so designed that black money hoards, along with the genuine savings of individuals and surpluses of corporations, would flow into the stock markets to garner large profits. Side by side, commercial banks and financial institutions were pressed to adopt what was pompously called 'innovative' methods of enhancing their profitability even as they were expected to scale down the funding of productive activity, especially in the priority sectors of agriculture, small industry and so on. The nationalised banks were under pressure to somehow increase their profitability and resorted to circumventing rules and guidelines—which was not only worked at but actually encouraged by the Reserve Bank and the finance ministry.

Among the most important of such practices was the use of bankers' receipts by the brokers to raise funds for their stock market operations. This was the starting point for the collusion between banks and brokers on a gigantic scale. Significantly, the

Reserve Bank was advised by the finance ministry, as has been admitted by R Venkitaramanan before the JPC, not to take pre-emptive action against the Bank of Karad, Bank of Madura and Andhra Bank.

The point is that over a period of time 'normal business practices', as Harshad Mehta has often asserted, had developed, in response to government policies and encouragement, to use public funds for the brokers' stock market operations. The 1992-93 budget, framed to subserve the structural adjustment programme for the economy, gave a powerful stimulus to such practices. The 'guidelines' of the Reserve Bank ceased to matter. R Venkitaramanan acknowledged before the JPC that there were highly adverse reports against foreign banks, but no action could be taken because the government was dependent on them to bring in hard currency deposits to sustain import liberalisation as part of structural adjustment.

The stock market scam has, therefore, to be directly linked to the changes in economic policies. Even as the boom in stocks and shares fed the wild expectations of ordinary investors, it was financed mainly by the flow of black money and public funds into speculative trading. At the same time, the government, led by the finance minister, saw in the booming stock markets evidence of the success of the new economic policies. The stock market scam cannot, therefore, be explained in terms of a failure of the monitoring system or lack of computers in banks because of trade union opposition. The active participation in the scam of the foreign banks mocks at this reasoning.

The brokers could not have played their games on the stock markets without the massive flow of public sector funds into stock markets. These funds were made available because attractive returns were promised and expected. This was the basis of the nexus between brokers and managers of public financial institutions and commercial undertakings and, of course, the politicians at the very top. If personal gains were made by those in high places in the government, this was only to be expected. But the grand scale on which it happened could not have been possible but for the socio-economic and political environment created by the so-called economic reform programme launched by the government as soon as it had been formed in June 1991.

Those who have a vested interest in the economic reform programme are a worried lot these days. They have visibly lost their assurance and elan. Things have not worked as smoothly as they had hoped. They are harassed by the spectre of political instability even as the much applauded reform measures, handed down by the foreign creditors, are becoming more and more difficult for the government to implement. A concerted effort is being mounted to salvage the reform programme from the debris of the scam, even as senior managers of banks and public sector undertakings, bureaucrats and even a few ministers are sought to be held to account. As part of this strategy, Narasimha Rao would have to throw out a number of senior ministers as well as top bureaucrats, but has neither the power nor the inclination to undertake this job even as his own position in office has become uncertain

It is, of course, necessary to take stringent action against individuals guilty of fraud, corruption and misappropriation of public money, though in the prevailing social and political environment one may be sure that many of the offenders will escape punishment. But it is the policy prescriptions of the government which have to be questioned squarely in the light of the stock market scam and its impact on the economy and polity It is not only in respect of the financial sector that the adventurous course adopted by the government in June 1991 has shown such ugly results so quickly. The failure is stark all along the line for the economy. The left parties and their allies must respond to this challenge adequately. They must not allow themselves to be befuddled by the antics of the Rao camp. It is amusing that the prime minister, who had remained smugly unmoved by the communal threat after the demolition of the Babri masjid and had even assumed responsibility for building the Ram temple at the disputed site, is now calling for an all-out fight against the BJP.

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Who Needs 10,000 MW of Private Power?

Nirmalya Roy

The premise that an addition of 38,000 MW is required during the Eighth Plan on which both the advocates and opponents of privatisation base their respective cases is faulty because the shortage of power is mainly because the performance of the power sector has not received due attention.

THE Eighth Plan envisages a net addition to the Indian grid of 38,000 MW. This is accepted by all. The debate is about the mode of financing. The government's plea is clear and simple: it has money only to install 28,000 MW, the remaining 10,000 MW have to be financed from private (domestic and foreign) sources. Opponents think this move will cripple our power sector.

But do we need 38,000 MW at all? How much will be the peak load (PL) at the end of the Eighth Plan? (This note talks only about 'power' to make it simple, and also because power shortage (approximately 17 per cent) is nearly double the energy shortage (9 per cent)). Table 1 shows peak load forecasting at different times, by different groups. Since the demand forecasts vary rather widely which one is to be followed? For a realistic forecast, let us look at the actual demand at present. In 1989-90, the end of the Seventh Plan that is, the peak load served was 33,850 MW. Considering a peak shortage of nearly 17 per cent, the unrestricted peak demand was around 40,500 MW. In 1990-91, the unrestricted peak demand was only 44,000 MW.

We can now see from Table 1 that the low scenario of National Power Plan (NPP) forecast almost matches the actual demand. According to this forecast, our peak load demand in 1994-95 (the end of the earlier Eighth Plan) will be 60,790 MW. So, making allowance for two more years, the peak demand at the end of the new Eighth Plan would be around 65,000 MW only. How much installed capacity (IC) do we need to serve a peak load of 65,000 MW? Let us look at the performance of some other countries (Table 2). In 1982, the CEGB, UK was able to fully meet the peak demand of 42,000 MW with an installed capacity of 56,700 MW. But in 1989-90, in India we could not fully meet a demand of 40,500 MW with an IC of 60,500 MW. Also, the demand in England slowly increased 1982 onwards but no extra generating units were added. It met the additional demand partly by improving the peak availability of the generating units and partly by imports. Its peak/capacity ratio increased from 0.75 to 0.9. But even with our low peak/capacity ratio of 0.64 we could not meet the peak load and left a shortage of 16.7 per cent in 1989-90. So, the shortage of power and energy is not due to lack of adequate generating capacity, but due to poor performance of our power sector. Surprisingly, it is never boldly accepted and our planners try to bridge the demand-supply gap by installing more generating units.

Let us come back to how much IC is needed to meet the peak demand of 65,000 MW in 1996-97. Even if we take the lower peak/capacity ratio of CEGB, i.e, 0.75, we need an IC of 86,600 MW at the end of 1996-97. Our IC at the end of March 1992 was 69,350 MW. So, the required addition during the Eighth Plan comes to around 17,500 MW, not the whopping 38,000 MW. Actually, if we can improve the performance of our power sector, there should be surplus funds with the ministry of power.

Some may raise objections to my assumption of 65,000 MW peak load. This estimate is based on NPP 1983 and should therefore be deemed as realistic. Take the latest official assumption. In its latest report the CEA accepts the 14th Power Survey Forecast, according to which, the PL in 1996-97 will be 73,650 MW (Table 1). Considering a peak/capacity ratio of 0.75 the IC should be 98,200 MW. Then we need to add only 28,850 MW. So, in this case also, the 10,000 MW of private power is not at all necessary.

From where then, does this figure of 38,000 MW—28,000 public and 10,000

TABLE 1: PEAK LOAD (MW)

Agency	1989-90	1994-95*	1996-97	2004-05	2006-07
National Power Plan (1983) (High scenario, 7 per cent GR)	46976	69216	-	-	-
National Power Plan (1983) (Low scenario 5 per cent GR)	42765	60790	-	-	-
12th Power Survey	49278	78438	-	-	-
13th Power Survey	-	-	86437	-	-
14th Power Survey	-	-	73656	-	-
Working Group on Power	-	83537	-	-	-

* 1994-95 was originally scheduled to be in the end of Eighth Plan, but due to political instability at centre it has shifted to 1996-97

TABLE 2: CEGB, UK

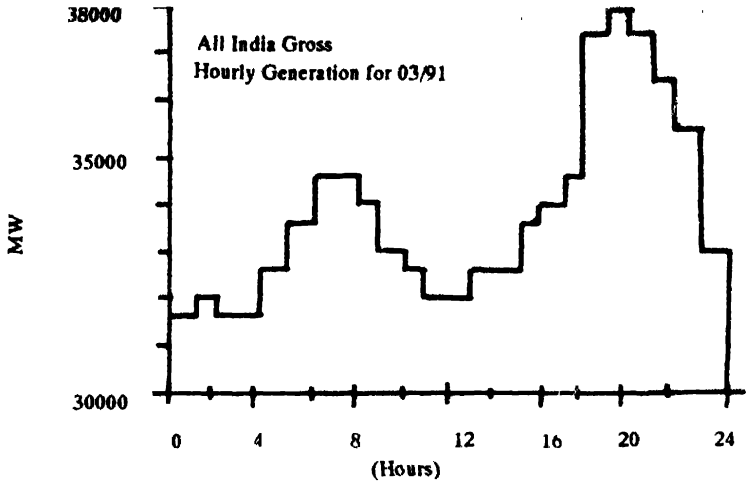
	1982	1983	1984	1985	1986
Demand (thousand MW)	42.6	42.7	43.6	46.2	45.1
Demand met (thousand MW)	42.6	42.1	42.2	44.1	45.1
Installed capacity (thousand MW)	56.7	55.2	54.75	51.0	51.1
Peak/capacity	0.75	0.77	0.8	0.9	0.88

Note: Figures rounded off.
Gap between demand and supply was made by importing power from Scotland and France. Though the data is about a decade old, it is still relevant as there was no major change in demand and supply position

TABLE 3: CONSUMPTION PATTERN IN COUNTRY IN DIFFERENT CATEGORIES

(All figures in percentages)

	Seventh Plan (1989-90)	As per 14th EPS (1994-95)	Projected Tenth Plan (2006-07)
Domestic	16.0	19.0	22.0
Commercial	5.9	6.1	7.5
Industrial	46.3	45.0	46.0
Traction	2.4	2.4	4.0
Agricultural	25.0	23.0	14.0
Others	4.4	4.5	6.5



private—come into the picture? Actually it was the projection of the Working Group on Power for Eighth Plan, constituted by the Planning Commission, which forecast an abnormally high PL of 83,540 MW in 1994-95. The forecast was later rejected by the CEA. The peak/capacity ratio based on the Working Group report comes to 0.827, quite high by Indian standard. If we adopt this standard for our generating units, even with a 73,660 MW peak load considered by the CEA (which, I feel, is on the higher side) the total required IC in 1996-97 should be 89,060 MW. In that case, too, we need to add 19,700 MW only. That too would leave a surplus fund with the ministry, leave alone the need for inviting private parties.

In estimating the power requirement above, various other options available for reducing peak load and energy have not been considered. Our load profile (see the Figure) and consumption trend (Table 3) shows ample scope for 'peak flattening'. In addition, various energy conservation measures can also bring down the peak load by a considerable quantity. Together, it is feasible to bring down the peak load by 10 per cent during the Eighth Plan. Capacity addition, in that case, can be reduced by 8,000 MW.

Our planners had always tried to bridge the gap between demand and supply of power and energy by putting up more generating units. The productivity of generating units (peak availability, kwh/kw installed, heat rate, etc) never received much importance. Now also, the debate is about the 'colour of the cat', i e, who is the financier, and not about the number of 'cats' required.

UTTAR PRADESH

Mulayam Singh's New Tune

Amaresh Misra

In an attempt to go beyond a traditional backward class-Muslim-dalit appeal, Mulayam Singh Yadav supported Chandraswamy's so-called Som Yagya and is adopting a line on the mandir-masjid controversy calculated to appeal to conservative Hindu sentiment.

THE Harshad Mehta saga may have yet fallen short of upsetting the national equilibrium, but it has had its impact on the fortunes of the UP Congress. A further erosion in the party's dwindling support base seems unavoidable.

After the Chandraswamy episode, which ended in a call by the so-called sadhu to begin the temple construction from the 'garbagriha' of the disputed site, the Muslims are incensed twice over. At the same time, the Congress's attempt to surreptitiously win over Hindu votes through the Som Yagya failed miserably.

The vacuum created by the erosion of support for the Congress is, however, not being filled by the BJP alone. A different type of claimant in the form of Mulayam Singh Yadav is also on the scene. The former chief minister is not only winning new support among the backwards and Muslims, but also gaining the confidence of certain sections within the upper reaches of village society. In some pockets of western UP, where the BJP had been successful in penetrating the backward ranks, a drift back towards Mulayam's party is evident. Such instances have involved members of the backward but dominant Lodh community. Recruitment of a number of upper caste power-brokers, [illegible] forces are also responding to the lack of sufficient space in either of the dominant parties. And in some cases the appeal of Hindutva is finding it difficult to transcend the real life contradictions of caste and other interests.

In accordance with this shift, Mulayam is also changing his political rhetoric. In an apparent bid to go beyond a traditional backward-Muslim-dalit appeal, he supported the Som Yagya. This was accompanied by an overt enlistment of 'sadhu' support, which saw god-men of particularly the Etawah belt issuing statements in Mulayam Singh's favour. Of late Mulayam Singh has also dropped all references to a masjid being built at Ayodhya. Instead the spot where the Babri masjid once stood is now referred to as a disputed site. Chandraswamy's VHP-type statements on the mandir issue have not been condemned and in other utterances too Mulayam Singh is trying to mix his general political appeal with an appeal to conservative Hindu sentiments. A soft line towards the Congress is also evident, especially in the efforts to sideline the issue of the prime minister's resignation over the Harshad Mehta disclosures.

Armed with this strategy the SP-BSP combine is forging ahead of V P Singh's Janata Dal. The Janata Dal, despite some continuing appeal among liberals and the more conscious sections of the backward caste and Muslim intelligentsia, has yet to break any significant new ground. The party's Mandal Rath is not drawing the expected crowds. Even Laloo Yadav's charisma is creating no more than a minor flutter and V P Singh has not been able to draw to himself the aggressive, vocal type of forces (from within the same target social base) as Mulayam Singh has been.

But a Mulayam Singh-BJP polarisation is not the only political possibility in the state. The allegations of corruption involving the prime minister have once again lifted the morale of forces aspiring for a democratic mobilisation. Recently the IPF gave a renewed call for all non-Mulayam Singh, anti-Congress, anti-BJP forces to get together on a movemental plank. The initial response from parties like the Janata Dal is encouraging, though something concrete has yet to materialise. The Left parties still appear wary of criticising Mulayam Singh. They deplored the Som Yagya without, however, mentioning Mulayam Singh's role. But the IPF has launched an ideological campaign on the issue. Besides questioning the relevance of sueh moves for any genuine secular plank, it has also criticised the BSP for being a dalit party and yet capitulating to brahminical rhetoric on many issues. The IPF is also focusing on the inherent fragility of any move towards a Congress style revival with Mulayam as its centre.

Besides the political activities at the top, a number of grass roots issues too are now coming to the fore. A case of police firing on peasants at Bithauli on the Lucknow-Sitapur road has once again highlighted

side. Last year a similar incident at Ramkola (*EPW*, October 3, 1992) had triggered off political unrest. This time the peasants were organising a peaceful 'rasta roko' to protest against the high-handedness of the Lucknow Development Authority (LDA). The LDA is buying land from the peasants at 24-30 paise per square feet and selling it at Rs 95. This is being done with the active connivance of the state government and has been accompanied by a severe clamp-down on any protest. The Janata Dal and the IPF have picked up the issue and Mahendra Singh Tikait is contemplating his own action. The IPF, through its student wing, AISA, is also currently preparing for the proposed autumn march of students on the issue of 'right to work' in Lucknow, which will precede the November 25 parliament gherao on the same issue.

The IPF is also trying to reorganise the peasant movement of the Lakhimpur Kheri-Pilibhit belt which has large tracts of forest land controlled by a nexus of forest mafia, officials, government contractors and landlords. The area came into limelight recently following a spate of terrorist-related killings at Maigalganj which were projected in the media as another instance of a burgeoning ings however were the result of simmering local contradictions in which the terrorists were allegedly acting at the behest of a small Sikh farmer who had been previously attacked, looted and beaten up by some anti-socials. The latter were ostensibly linked with the aforementioned nexus which is actively involved in illegally appropriating and selling vast tracts of the forest reserve. As a result, a parallel lumpen economy has come up with the covert backing of the police and the administration. IPF activists recently caught some police personnel sneaking out illegally felled trees. In other instances the police is known to take regular sums of money from some big Sikh farmers supporting terrorist gangs in the area.

In the case referred to above, the pleas of the affected farmer were ignored by the police. The Sikh farmer then went to the local gurudwara to demand redress. Though some of his kin were earlier involved in the terrorist movement, he was not known to have any links with them. Subsequently two rifle-wielding terrorists descended on the village of the assailants and many innocent persons were killed in the indiscriminate firing.

The Defilers

M S S Pandian

What happened when the activists of the People's Art and Literary Association sought a share in 'bhoologa vaikundam', the Sri Ranganathaswami temple in Thiruvarangam, for the dalits and the sudras.

LYING five kms north of Thrichirapalli, located on the island of Thiruvarangam, Sri Ranganathaswami temple means different things to different people. For the Hindu orthodoxy, it is the most sacred of the 108 *'divyadesams'* of the Vaishnavites and no less than *bhoologa vaikundam*, 'vaikundam' itself on earth. For those who are not spiritually inclined, the temple with its 21 towers, multiple 'praharams' and centuries of history is simply a sign of monumental non-brahmin labour, usurped and turned against them. After all, it was their ceaseless labour which, as recently as the 1980s, converted 116 lakhs of bricks and 3,000 tonnes of cement into the tallest temple tower in south Asia, the Raja Gopuram of the Thiruvarangam temple. In between these absolutes, there are shades and shades of other meanings which an ambivalent Ranganathar offers with ease.

All this contending flow of meanings did not trouble Ranganathar much. Life went on as usual, surrounded by tonsured and untonsured devotees, cheerless brahmin priests and repetitive pujas carried out with a Pavlovian ring. The monotony ended abruptly in the second week of March when the Makkal Kalai Illakiya Kazhagam, People's Art and Literary Association (PALA), a CPI (M-L) front organisation, sought a share in the vaikundam for the dalits and the sudras. Outstepping their karmic privileges, they claimed it to be their right to enter that last territory of brahmin monopoly in the temple, the garbhagraham, and perform pujas in the language of the Asuras, the Tamil.

Wall writings surfaced in Thrichirapalli, Thiruvarangam and elsewhere in the state. "We shall lay siege on Thiruvarangam", one of them proclaimed unabashedly. Handbills in thousands were distributed. They read, "There are several places which the poor cannot enter. There are [several] places which the uneducated cannot enter. But, there is one place which one cannot enter for reasons of birth; and that exists only in our country, and only in Hinduism. That is the garbhagraham of the temple." Scores of public meetings were organised, attended by, among others, the enthusiastic cadres of the Dravidar Kazhagam, the Dravida Munnetra Kazhagam, and a number of dalit organisations including the Dalit Panthers. The ever-elusive sudra-dalit unity looked real for once. A date too was announced for the close encounter with Ranganathar. It was May 1.

As the campaign of the infidels got off the ground, the series of rectangular enclosures around the temple, formed by masequate to protect Ranganathar. A disturbed Rama Gopalan, the leader of the Hindu Munnani, descended on Thrichirapalli in the first week of April. His was indeed a difficult job. Unfortunately, it was not even a month since Govindachariya, the general secretary of the BJP, displayed his magnanimity in public and claimed the worship of sudra/dalit deities such as Ayyanar and Mariamman to be part of the catch-all Hindutva tradition; and what the infidels wanted to do in Thiruvarangam was what they always did to Ayyanar and Mariamman. In the course of his public address, Rama Gopalan did not mess around with troublesome caste and hierarchies of gods and goddesses, but merely simplified it all for his camp followers: the godless communists would loot the temple on May 1.

Enthused by Rama Gopalan's presence, the Hindu Munnani/VHP cadres, though not many in number, launched their counter-campaign. "Protect the temple", their posters incited. Then, posters were only part of their agenda; they were more interested in defacing the wall writings of their tormentors. In the dead of the night, they roamed the streets of Thrichirapalli with white-wash and brush, only to be stopped in places by the vigilant DMK and DK cadres. Every devotee of Ranganathar should break a coconut for him on May 1, the Hindu Munnani announced. It was an affordable protest. Coconut prices have crashed in the district for quite some time.

A tense Thiruvarangam as well as Thrichirapalli were brought under 144 CrPC on April 30 itself. Policemen in large numbers were mobilised to protect Ranganathar in his state of brahminical purity. On May 1, the devotees on their way to the temple were 'security-checked' at Gayatri Mandapam, Vinaya Nazhi Kottam and the temple office with metal detectors. None asked whether metal detectors were agamic; such doubts are banal in the yuga of Green Card Brahminism. They worshipped a distant, but unpolluted, Ranganathar from Gayatri Mandapam as they were not allowed to go beyond.

As announced, the assembly of the infidels, carrying banners and flags, assembled in Melapuddur in Thrichirapalli junction. Before they could proceed to Ranganathar's sacred abode and carry out the insidious plot of sacrilege, they all were arrested by the waiting policemen. Another procession of about 200, including women and children, began at Thrichirapalli bus stand. They too were stopped on their way and taken into custody. Similar processions meeting similar fate continued throughout the day. In total, 700 of them, including 100 women, were arrested and charged with non-bailable offences. The following morning, the unofficial organ of the BJP, the *Indian Express*, heaved a deep sigh of relief and announced to the world, 'Temple Stir Fizzles Out'.

It was not the first time that the temple

1970s. The DMK, which was in power then, dreamt no longer of assaulting Thiruvarangam Ranganathar and Chidambaram Natarajar with cannons; that was all a dead dream by then. But the old agenda was not fully lost. Braving the intense Vaishnavite offensive, the DMK government under M Karunanidhi got the Hindu Religious and Charitable Endowments Act amended in 1972 so that any qualified person, irrespective of caste, could become a priest in the 10,040 government managed temples. The intention of the move was loud and clear. As the advocate-general of Tamil Nadu claimed, the amendment was meant "to abolish brahmin monopoly in religious affairs..."

The swiftness with which the amendment was challenged by the brahmins was indeed a testimony to their celebrated efficiency. Sixty-six brahmins filed 12 writ petitions in the Supreme Court. Nani Palkhivala, in contrast to his spirited defence of *laissez-faire* during the anti-Mandal agitation, argued then for the protection of brahmin privilege. The highest court of the country ruled that Articles 25 and 26 of the Constitution, which deal with the freedom to practise one's religion, are "not limited to matters of doctrine...[but] extends also... for rituals and observances, ceremonies and modes of worship which are an integral part of religion". Using all its judicial wisdom, it specified further: "the ritual in a temple could not be performed except by a person belonging to a specified denomination; otherwise the purpose of worship would be defeated." How could it allow the purpose of worship to be defeated? The plea of the brahmins was upheld and garbhagaraham continued to remain as their exclusive preserve.

What had fizzled out earlier need not always fizzle out. Ranganathar was blissfully unaware that May 24 would turn out to be an eventful day in his career. The cadres of the PALA, determined as they were, purchased on that special day special tickets and mingled with the queue. As the queue slowly moved ahead, Muthu, the Thriuchi district secretary of the association, suddenly crossed the silver steps in front of the garbhagaraham and entered it. Following a slogan-chanting Muthu, few of his other comrades too did the same. The red banner was unfurled and Ranganathar found himself flanked by the portraits of unwelcome intruders—E V Ramasami and Ambedkar.

In the scuffle that ensued, the north Indian devotees, numbering around 300, abetted by the priests in Hindi, intervened on behalf of a helpless Ranganathar and thrashed the southern defilers of Vishnu. The PALA cadres knew, the punishment for such irreligious acts was not always executed in the after-life; it could be here and now. Few on both sides were injured, including five women and two children, were arrested. Perhaps for the first time in their political career, the arrested PALA activists found to their utter surprise the policemen to be sympathetic to their cause. With their exit, the temple doors were shut. '*Somprokshanam*' was performed in Moolavar Sannadhi (garbhagraham), Thayaar Sannadhi and for the vimanas of the temple. *Somprokshanam* not merely returned Ranganathar to his inhuman state of purity, but also affirmed the rightful place of the sudras and the dalits in the casteless universe of the anti-Mandalists and Hindtva.

If gods themselves cannot be safe, how can Hindutuva be? An angered BJP condemned the 'atrocity' and called for severe garbhagraham. Although most of the non-brahmin press, including the DMK's *Murosoli*, was almost euphoric in its support to the PALA, what mattered to the government of Jayalalitha, the divine incarnate for her ever proliferating toe-touchers, was the worries of the BJP. The government quickly condemned the event and instructed the police to take severe action against the tormentors of Ranganathar. The four temple staff who sustained injuries in the scuffle were paid Rs 5,000 each and an iron enclosure was erected around the garbhagraham. It was all expected; none was too surprised. After all, Jayalalitha was merely upholding the Constitution and could anyone complain, be a dalit, be a sudra?

US State Terrorism: Another Criminal Act

Frederic F Clairmont

One more crime of US state terrorism against yet another third world country is a grim reminder that indignation is not enough. It must be matched by organised campaigns to ensure that the words of the UN Charter become a binding reality.

I

EVEN before the last of the 22 cruise tomahawk missiles—each costing over a million dollars—smashed into in Baghdad, indiscriminately slaughtering men, women and children, a jubilantly apoplectic Clinton sputtered: "I feel good, and I'm sure the American people feel as I do."

In that barefaced utterance, Clinton revealed not only the utter depravity of a ramshackle administration, but the extent to which he had shrunk to dwarfish proportions. The man that opposed the Vietnam carnage by seeking refuge at Oxford University, to his greatest honour, has sunk into the sewer of US militarism.

More glaringly, the massacre highlighted the momentarily unstoppable thrust of US imperialism even in its debilitated state. To naive spirits who believed that Clinton was a politico different, or differentiable, from his Reaganbush predecessors, the Baghdad bombing smashed that delusion; the frantic striving at any cost to destabilise Iraq, the daily threats against North Korea, the perennial embargoes against Cuba and Vietnam unveils once again the rapacity of the US global system.

These acts of aggression stem from the crisis of the internal workings of US capitalism which Clinton promised to modify, but cannot deliver on his promises. The major motive behind them is to secure the political support of the right and boost his sagging political ratings.

II

Clinton's economic problems on the home front have become unmanageable: the spectre of unemployment just would not go away; a mild recovery of sorts has been aborted; his budget, social and energy reform policies have been shaved and compromised beyond recognition; a mere skeleton of a once grandiose electoral programme trumpeted with such fanfare.

Inexorably, the US ruling oligarchy simply tells all the upstarts that have thrown their hats into the political ring that rosy election promises are one thing, but if anyone gets out of line and begins to tamper with the workings of the system, even at the fringes, one is in trouble. For the ruling class there is only one constant: its class and propertied interests are not to be trifled with.

This is an unalterable law of class dynamics that the palaverings of the Clinton clique cannot change. Hence the frantic back-pedalling of a febrile administration hell bent on displaying its anaemic muscle to the forces of Corporate Capital. The crime committed against Iraq was thus an attempt by a desperate politico striving to recoup his wilted fortunes on the domestic front.

eral glory. "He acted quickly, properly and in the interests of the United States", writes Rosenthal in *The New York Times*, still one of the dominant ideologists of the political right, and apologist of international Zionism. Likewise, Jeanne Kirkpatrick, propagandist extraordinary of the Reagan administration, adds her homage that Clinton's murderous assault "was a demonstration of political will and an important one at that". The corporate media, obviously, took the cue.

Such fulsome hosannas by the weighty political right on the domestic front were not, however, matched on the international front, with one wretched exception: that of Douglas Hurd, foreign secretary in a Tory government riddled with graft, corruption and sheer incompetence. It was the obsequious and solitary voice of the traditional and unwavering English bootlicker.

He told parliament that "it was a justified and proportionate exercise of the right of self-defence, and a necessary warning to Iraq that state terrorism cannot and will not be tolerated". On what basis was the accusation of state terrorism advanced? And on what evidence? Collected by whom? And serving what objectives? The quest for justice?

III

According to the American charge-sheet, punitive measures were galvanised on the grounds that in April, the Kuwaiti government *(sic)* had uncovered what "they suspected was a car-bomb plot" to bump off former president George Bush. (See official statement in *The New York Times*, June 28.) Suspicions are never proof. What was always a dubious suspicion was immediately switched into an incontrovertible fact.

This threadbare fabrication had its comic undertones. The CIA and the FBI, both US Federal agencies, acting in complicity with the Kuwaiti Intelligence Service 'claimed' to have uncovered the plot. In this sordid sham the Kuwaiti stooges, as trivialised sidekicks, were simply shoved aside. From the onset this was a CIA/FBI showbiz stunt.

Kuwait is a medieval police state in which even the rudiments of an impartial judicial system are obliterated. The Emir is the supreme judge and jury, and in his person he embodies the highest court of appeal. Did the Bush gang raise any human rights objections when over 200,000 Palestinians, most Kuwaiti-born, were expelled and their property confiscated, with thousands summarily executed?

Indeed they applauded this crime as a means of cleansing the Emirate of a comcal to US interests. At present there are more than 25,000 'political' prisoners many of them adolescents; executions and disappearances are daily phenomena. But this is precisely one of the greatest allies of the US as Bush reminded the Emir when he was awarded its highest national award. The mutual backscratching is desirable; Bush and Baker are major shareholders in the Kuwait Investment Organisation (KIO). Baker's law firm is the KIO's major international legal representative. These were not substantive matters that were raised at the Human Rights jamboree in Vienna.

IV

If there was an attempt to liquidate Bush why is the evidence of 'guilt' suppressed to foreign jurists? Why has the CIA/FBI opposed presenting 'the evidence' on the grounds that it would be detrimental to the national interests of the US?

Such basic procedural questions are irrelevant to the power games of US state terrorism. The crime against Iraq was committed in the name of 'self-defence'. Article 51 of the United Nations Charter provided the fig-leaf. It is utterly irrelevant as far as the US conspiracy was concerned that the Security Council was not consulted.

There is nothing in Article 51, or indeed, in the Charter, that suggests that 'the self-defence argument' can be invoked in response to an assassination attempt against an individual or head of state, particularly in the case where there was no assassination, and where the so-called assassination attempt was foiled.

This was not the first time that imperialism sought to deploy Article 51 as a legal rationalisation for colonial genocide. In 1956, during the Suez invasion, France, the UK and Israel sought to justify their pounce on Nasser by invoking Article 51. They were rebuffed by the General Assembly. True, it was a different UN system then.

Likewise, US imperialism failed in its attempt to use Article 51 to bless its invasion of Panama and the abduction of general Manuel Noriega. Tom Pickering, then US ambassador to the UN gloated "that self-defence under Article 51 permits the US to use armed force anywhere to defend our national interests".

Article 51 in conjunction with other legal provisions of the Charter were intended to cover armed attack against nation states and not individuals. When pressed; even the US ambassador in London was compelled to admit that the missile attacks did not fall "within the conventional meaning of Article 51".

This raises the question: Why did not Clinton and his cronies wait for the outcome of the court findings, even if the trial was phoney from beginning to end, and then bring their case to the UN? No, that would not have worked because it would have been rejected by the Security Council, and hence would not have served his political stratagem.

The Guardian in its critique of the Tory government spoke justly for a far wider community: "Mr Major should never have supported this reckless adventure outside international law in the first place." To its credit, China explicitly condemned the crime, as did Cuba.

No Mr Clinton, there is a universal sense of revulsion in your deployment of state terrorism; the American people, unlike yourself, cannot be 'made to feel good' for a crime unredeemed by any trace of legality in international law; aggression in reprisal for an alleged act committed several months ago in a foreign country (a fabrication, to be sure) cannot be justified.

VI

Clinton's crime must be seen in the wider perspective of US global policy. When the International Court of Justice condemned US state terrorism for blowing up a Nicaraguan port, a minor Reagan hack angrily retorted that the court should mind its own damned business and added for good measure that it should study the Monroe Doctrine—Nicaragua was not merely the US backyard, but US real estate.

The world is not amnesiac: it was US terrorists with the complicity of the Thatcher covey that bombed Tripoli in an aborted attempt to kill colonel Gaddafy. It was US terrorists under the command of general Schwarzkopf—the presumed hero of Desert Storm—that liquidated the legitimate government of Grenada, a member of the UN.

One more crime of US state terrorism against yet another third world country is a grim reminder that anger and indignation is not enough. It must be matched by organised campaigns to ensure that the words of the Charter become a binding reality.

The muscle deployed by you, Mr Clinton, will not enhance your credibility. The Neanderthal fascists will applaud you, but the test of any honest politician is to face up to the challenge of his time. That, Clinton, you have abysmally failed to do, both domestically and internationally.

Common Property, Collective Action and Ecology

Subir Sinha
Ronald Herring

Much modern discourse on environmental degradation takes place under the shadow of the 'tragedy of the commons'. The logic of that metaphor has been used by states for seizing control of local commons on grounds of conservation. Report on a conference which sought to highlight research on common property systems that do function, the limits to local solutions to ecological dilemmas and the problems with state-directed environmental protection.

AN international conference on 'Common Property, Collective Action and Ecology' was held in August of last year at the Centre for Ecological Sciences of the Indian Institute of Science in Bangalore with additional support from the Social Science Research Council (New York), the Smithsonian Institution (Washington) and the Ford Foundation (New Delhi). Papers presented at the conference will be described and then cumulatively discussed in the concluding section.

Contested themes at the conference included (1) whether or not the 'tragedy of the commons' is a real tendency of universal human maximising behaviour or a product of either Euro-centric academic praxis or states and markets reducing the political space and institutional capacity of local people, (2) the reality and accuracy of an emergent 'standard environmental narrative' (dubbed SEN) or romanticised account of 'eco-system people' which posits pre-colonial harmony between people and a benign 'nature' in the sub-continent; (3) whether or not such a narrative threatens a reversed orientalism in conceptualising 'eastern' and 'western' modes of practice and belief; (4) the tensions among 'deep ecology', defensive reactions and 'social ecology' as frames for understanding environmental politics and policy in India; and (5) internationally, whether an elitist construction of a 'global commons' and common ecological crisis threatens the economic interests of the south to remedy the sins of the north.

Much modern discourse on environmental degradation takes place under the shadow of the 'tragedy of the commons', a simple and influential model that explained why maximisation of individual interests in using any commons could result in catastrophe. The logic of that metaphor has been used by states as legitimation for seizing control of local commons on grounds of conservation; Leviathan may not be popular, but it putatively acts in the general interest when individuals cannot generate the collective action necessary to provide public goods. This construction has been used as a reason for opposing common property institutions generally. 'that which is everyone's concern is in fact no one's concern' The conference sought to highlight research on common property systems that do function, the limits to local solutions to ecological dilemmas, and the problems with state directed environmental protection

Local Institutional Solutions to the 'Tragedy of the Commons'

The first session opened with Madhav Gadgil's paper 'Changing Patterns of CPR (Common Property Resources) Usage in Uttara Kannada District in Southern India', co-authored with S Rao. While the particulars of the paper deal with Uttara Kannada, broader theoretical points can be discerned. According to Gadgil and Rao, how much of which resource is demanded and extracted in any historical period is a function of the interests of 'elites' who use 'regimes' as instruments for their particular ends. This argument is based on a reading of India's transition from 'pre-British' to British to independent rule. This historical evolution had a parallel trajectory of technological progress which required large quantities and more varieties of natural resources. In the process, local communities lost control over resources, resulting in their net degradation Gadgil and Rao focus on three resources: forests, irrigation tanks and estuarine lands

In pre-British India, when elites appropriated primarily agricultural surplus, control over irrigation tanks and forests remained with local communities since agricultural production was crucial to elites. Use of human and animal power for agriculture's energy needs, a 'strong caste-based social control', as well as religious beliefs and customary practices regulated resource use. The autonomy of local institutions was also a result of the limited coercive capacity of pre-British regimes. With considerably more coercive power, the intervention of the colonial state in rural economy and society was more radical. Uttara Kannada came under British rule after Tipu Sultan's defeat in 1799. Since state power was then in the employ of a more far-reaching, surplus-appropriating enterprise, open access forests, in which local populations had tax-free usufruct rights, were taken over as reserved forests Since irrigation tanks were crucial for generating agricultural surplus, they were left to local control. Although landlords exploited estuarine land more than previously, pre-colonial organisations survived. Though the British conceded some space to van (forest) panchayats, the ggeneral pattern of peasant behaviour seems to be one of relative quiescence

After 1947, a new elite—the 'politician-bureaucracy-business combine'—made rapid industrialisation a higher priority than collection of land revenue. As a result, local communities lost control of local resources. The van panchayats were derecognised in 1976 Simultaneously, modernisation eroded, through a variety of mechanisms, the rigid social controls which had underpinned local resource management systems. Indigenous irrigation tanks languished with the introduction of alternatives such as pumpsets However, the Karnataka forest department has recently introduced pro-peasant policies such as eliciting popular participation and has supported autonomous systems of resource management, leading the authors to conclude that there has been a shift in the balance of power in favour of the peasantry.

In contrast to the narrative of continuous decline, Anil Gupta's 'Household Survival through Commons: Performance in an Uncertain World' suggests theoretical reasons for the survival of the commons. Firstly, the commons situations should be studied from the perspective of survival strategies of households. Some of these strategies may be dependent on community and common property; others are not. Hence concentrating on only one property regime will mean losing sight of how strategies of survival, rooted in different 'portfolio choices of a household', might in turn affect the commons.

Since households are involved in multiple resource markets and multiple institutions, Gupta argues for a multiple level of analysis where eco-sociological relations have to be identified at each level with corresponding forms of 'rationality', which he introduces with a theory of 'playful portfolios'. One portfolio represents the familiar 'survival ethic', consisting of choices meant to minimise the risk of failure. He confronts the orthodox argument that environmental risk and uncertainty will impel all users to over-exploit the commons, observing instead that people's behaviour will depend upon the place the commons has in each household's survival portfolio, their attitudes and expectations. Co-operative behaviour is a function of the distribution of risk and diversified resource use by households. Here, culturally-embedded notions of redundancy and randomisation come into play. The

'free-rider' problem of orthodox theory is offset by patterns of ongoing reciprocity and shared values.

Interactions concerning the commons, as in other arenas of rural life, Gupta argues, are more like assurance games: the critical question is generating belief that restraint in using the commons will be reciprocated. This assurance is reinforced in local communities through rituals and myth as well as popular conceptions of what is 'moral' and 'just'. Moreover, punishments and rewards are easier to mete out in small face-to-face communities, as long recognised in the conventional theory of collective action.

Indeed, much of the CPR discourse is rooted in the historical experience and behavioural logic of western societies, in his paper entitled 'The Legal Economies of Natural Resource Management and Sustainable Development', Chhatrapati Singh argues that this discourse ill serves India. Contrary to the 'western' notion that equates private property with privacy (and is thus incompatible with common access), Singh cites examples from India of individually owned wells, tanks, temples, etc, which are made for the common good to earn individual merit ('punya'). Uncomfortable with the theoretical baggage carried by the term 'common property', Singh advocates seeking solutions within the 'Indian ethos'.

Singh argues that the two disciplines which have most contributed to the development of the CPR discourse, namely, economics and political science, are rooted in the western experience. While they are preoccupied with individual interests and the realm of the optimal, Singh suggests more emphasis on identification of existing operational possibilities, which would take us in to the realm of the legal sciences dealing with the socially actual. Examining the legal status of resources is crucial to a solution that leads to sustainable development. The rules of acquisition, utilisation and regeneration, constitute the actual arena of possibilities. Indeed, these rules have changed, but invariably to give control over resources to a centralised state. According to Singh, that trend needs to be reversed. Policies that have created a fractured consumption pattern should likewise be reversed, flattening inequalities in consumption across the population.

Whereas much commons discourse operates at the level of very small communities or centralised state solutions and causes, there is a crucial intermediate level. Minoti Chakravorty Kaul's paper, 'Self-Organising Communities: The Institutional Roots of Colonial Rural Punjab' investigates how people organised the management of regional commons: how interdependent groups of pastoralists, nomads and agriculturalists used vast stretches of the Punjab without degrading it.

Interdependence based on reciprocity and complementarity in demand characterised the contacts of the inhabitants of each geographical zone of the Punjab eco-system. Kaul notes that the physical boundary of the village cannot be seen as the sole determinant of the village community; similar preferences, values and cultural norms which enabled consensus on matters of regulating a particular way of life are as important on a broader scale. Since such a consensus existed in the area, there was a shared perception of an ecological niche: village communities functioned as organising units with institutions for sanctioning and monitoring. Common property resources were the social peg of these communities.

External forces in the 19th century weakened communal control over common property. Human and cattle populations increased, and the increase in the value of land as property led first to free-riding and then to privatisation. Expanded market forces thus eroded the customary networks of dependence, simultaneously, penetration of a new state apparatus replaced communal authority, leading to differentiation of rights of exclusion both between and within communities.

The impact of state and market interventions on community-level co-operation was likewise central to the paper presented by Ravi Chopra: 'Guhls—A Traditional Irrigation System in Garhwal' (co-authored with Rajesh Kumar and Debashish Sen). The paper presents preliminary results of studies of two villages in Tehri-Garhwal district, and two in Chamoli.

In the villages in the Chandrabhaga watershed in Tehri-Garhwal, there is a fair amount of caste homogeneity; caste hierarchies are in any event loosely maintained. Each family has small and scattered plots, and in villages with more than one channel, families draw their irrigation from each guhl. There is a gender division of labour similar across each caste. There is also a not too-distant memory of these guhls constructed by collective village labour for the common good. Common labour is also used at every stage of agricultural production on an everyday basis. Risk is also shared by changing the sequence of receiving water from the guhl. Collective vigilance discourages misuse by individuals, and common effort repairs the guhl. Each family produces grain for subsistence, just as each produces onions for commercial exchange. There was a high degree of 'community spirit'.

State interventions began in 1955, with an offer to local inhabitants to get free lime to line the networks. The state subsequently took them over in 1987, since then, the guhls have acquired a concrete lining and steel sluices. Chopra et al argue that this was done to augment the production of onions. One result of this market led state intervention was the weakening of community-level institutions.

The villages in the Shorghad watershed in Chamoli are recent settlements. One village has absolute caste homogeneity; in the other, sharp caste distinctions between thakurs and harijans exist, but they do not come in the way of collective management of the guhls. Production here is strictly for subsistence, since markets are not proximate. The water goes first to those who have tilled their fields first. As in Chandrabhaga, there is both collective and individual responsibility for maintaining the guhls.

From these comparative cases, the authors draw two conclusions: state intervention was market-led and was deleterious to local resource-management institutions. The authors locate the different degrees of success in retaining control over the guhls in the two areas in variable strength of local traditions of CPR management.

Amid the gloom of decaying institutions and tragedies came Amulya Reddy's paper, 'The Blessing of the Commons, or How Pura Village Dealt with the Tragedy of the Commons'. Describing the establishment of a biogas plant system in Pura village, a project in which Reddy is himself intimately involved, he argued that the tragedy can be avoided if the costs to individual agents of not preserving the commons far outweigh the benefits of maintaining it. In this village, there is a confluence of individual self-interest and collective interest in such a way that the latter is furthered automatically in pursuing the former. One prerequisite was that the supply, in this case of electricity, from the local resource must be more efficient and reliable than those provided by private or state agencies. On the issue of social obstacles to co-operation, Reddy reported that villagers employed a useful metaphor, just as we leave our chappals outside when we enter the temple, we leave our differences behind when we enter the development committee. He proposed a totally decentralised solution to commons dilemmas, with local responsibility and authority. The theoretical thrust of the paper is to reinforce the earlier line of logic which sees common-property management as a source of political cohesion which extends beyond the resource in question.

Rita Brara's agenda in her 'Grazing Lands: Negotiating Custom and Law' is to investigate the 'commonness' of grazing resources and the rules that govern inclusion and exclusion in Lachchmangarh tehsil of Rajasthan. The paper identifies two distinct classificatory modes: property as lived experience, and property as legally constituted; each is investigated in the context of changing techno-environmental limits to stock-rearing and legal as well as socio-political changes influencing settled and transhumance lives. Brara finds that the ideology of rights in common was a response to the imperative of ecologically sound animal and crop husbandry.

Economic limitations of pasturage and water scarcities gave rise to transhumance, which was based on a web of social relations and local conventions with affines having reciprocal grazing rights in each other's villages. However, with more area coming under the plough, transhuming on the village commons became costlier, and villages not connected by kinship ties started

demanding grazing fees. Rich johada lands (a run-off pond and its catchment area), perceived as sacred tracts of khejri trees, were used for grazing, but not cultivated. Owing to scarcities in the 1920s, when the local jagirdars and ijaredars started claiming more of the commons and levied taxes on grazing lands, peasants protested successfully. Under such hostile circumstances, only the adaptability of conventions made transhumance viable.

Since 1947, village-level committees of mukhias have regulated use of the commons and sanctioned misuse. (A mukhia is one 'whose word is heeded', typically the head of a family with influence in village affairs, criteria having to do with shared perceptions of local power.) The rational-bureaucratic apparatus of the post-1947 state established parallel gram panchayats as a channel for development schemes and electoral promises, but these bodies encompassed several villages. On questions regarding the commons, real authority lay with the 'parde ke peechche' (behind the curtain) panchayat, the informal village-level committee of mukhias.

These panchayats auctioned produce from the commons and used the proceeds for the betterment of that village alone. Informal authority has also not consistently protected the interests of women and lower castes, as the 'parde-ke-peechche' panchayats are jat-dominated. Brara concludes that a 'one village, one panchayat' model should be considered by policy-makers; there would then be gains in efficacy of local institutions, but not necessarily in social justice.

Local Resistance and Contestation

The second session, focused on 'Local Resistance and Contestation' in the context of state and market encroachment on local resources, started with Pramode Parajuli's paper, 'Cultural Politics of Ecology: Resistance for Space and Spaces of Resistance in Jharkhand, India'. His agenda is two fold: one, to see how ecological crises, ethnicity and the developmentalist state are linked with power and knowledge; and two, the identification of the ways in which the Jharkhand movement reflects a conflict between different 'spatial worldviews'. These worldviews are analysed as hegemonic constructions within discursive formations.

Parajuli sees ecology as one constituent of the Jharkhandi's notion of space, along with the collective memory of recent struggles in the context of a common history of exploitation by *dikus* (outsiders). He agrees with Marxist explanations of exploitation of the region, but dissents from the conclusion that it has destroyed ties of ethnicity and community. To the contrary, the Jharkhand movement is sharpening and politicising such identities by the revival of both the Sarna Dharma and of traditional systems of managing natural resources. He argues that in this context, class is an overdetermined category, and thus an inadequate analytical tool. Enumerating the other dimensions of conflict, Parajuli sees the significant participation by women in grassroots movements as indicative of 'women's counter space' in Indian society, ecology, agriculture and political culture. Parajuli also sees the struggle between local knowledge and the state-perpetrated system of modern science as a dynamically conflictual relation between the Jharkhandis and the state, where the ecological interests and perceptions of each are at odds with the other's. The distance between the Jharkhandis' modes of struggle and discourse of statist politics is such that spaces of resistance open up which sustain the movement despite periodic setbacks.

David Hardiman's paper 'The Forest Economy of the Dangs in the Early 19th Century' examines the impact of British rule on these forest tracts in western India, the growing penetration of the colonial forest department, the establishment of administrative structures and popular resistance to these forces. Additionally, he wants to study how tribal peoples relate to ecology, to each other and to market forces.

Hardiman mounts a powerful critique of the elevation of an 'Indian ethos' to the status of an explanatory tool in current accounts of ecology, its management and struggles around it, typified by the works of Vandana Shiva [1990] and Seabrook and Pereira [1988]. The picture usually painted of a stable state of consciousness and social organisation, upset only with the advent of 'outsiders', is ahistorical. Seeing the indigenous as protectors of ancient Indian wisdom of conservation, as contrasted to a western idea of destruction, is inverted, essentialising orientalism, which cannot explain significant deforestation in pre-colonial times, nor the emergence of the modern environmentalist movement in the west. It is also anachronistic to call the pre-colonial forest dwellers 'conservationists', as certain authors have done, since that concept was the product of a specific historical conjuncture, namely the ecological havoc wreaked by the industrial revolution. Conservation implies scarcity, giving rise to the *need* to conserve; that notion was absent in the *Dangs*. Representing human behaviour as a mechanical adjustment to the environment is symptomatic of 'ecological functionalism' which addresses neither the logic of cultures nor relationships of power. The wider socio-political context in which forest-dwellers are operating is also left unexplained in the romanticised environmental narrative.

As an alternative, Hardiman attempts a history of local practice to find out how and why forest-dwellers related to the forests in the way they did. He finds complex power relationships in the Dangs in the early 19th century. There was a hierarchy among Bhils, and between Bhils and the Gavit peasantry; there was gender-based exploitation; and forest-dwellers as a whole were exploited by sahukars (moneylenders). Hence, concludes Hardiman, it would be wrong to characterise Dangi society as either egalitarian or naturally affluent, as part of the literature has done. He states also that no 'conservationist ethic' prevailed in the Dangs; the Bhils in particular were rapacious users of the forests. Indeed, the forests were seen as eternal, with no consciousness that human beings could destroy them. Nevertheless, the Dangis were selective in their use of nature, guided by a conscious affinity with natural processes.

The Culturalist Materialist Problematic

The session on 'The Culturalist-Materialist Problematic in Explanation' opened with Bina Agarwal's paper, 'The Gender and Environment Debate: Lessons from India'. Agarwal criticises the eco-feminism of the west on the grounds that it draws a bio-ecological link between gender and environmental values. She offers an alternative explanatory framework, labelled 'feminist environmentalism' which provides a material basis for the link among particular females in particular situations.

Degradation in the quality and quantity of natural resources and their privatisation, Agarwal argues, are the two primary factors underlying the class-gender effects of environmental change. Erosion of community resource management systems, population growth and technological changes are other intermediary factors which interact with each other. Women, on whom the household responsibility for securing subsistence lies, have limited private property rights and hence, along with other subordinate groups, depend disproportionately upon the village commons. Environmental degradation means that women have to spend more time securing fuel, fodder, water and subsistence. Degradation reduces the ability of the village commons to provide crucial supplemental income to women, and in areas where women are primary cultivators, it affects crop cultivation time, causing reduced net production. Women's health and nutrition are also endangered, as are crucial social support networks when people are relocated, as from dam sites for example. Simultaneously, the material basis of women's indigenous knowledge is eroded. In response, women have taken the responsibility of guarding and replanting forests in various contexts. Since women are most affected by environmental degradation, they are most active in grassroots movements, sometimes in co-operation with menfolk, but also in defiance of them.

Paul Greenough's paper, *'Naturae Ferae*: Managing Wildness in Colonial and Post-Colonial South Asia' detects a 'vegetal bias' in the standard environmental narrative (SEN) on south Asia, in which the natural world of the pre colonial past is consistently represented without animals, and thus without some of the more dangerous elements which exercised villagers and influenced their construction of the forest. If the aim of the

standard environmental narrative is to recover all culturally marked elements in this natural world, Greenough suggests that forests should be seen not only as a source of fuel and fodder, but also as a habitat sheltering fauna

Greenough sketches the kinds of interactions between humans and wild beasts that existed in south Asia, and how these relations were mediated Although romanticised accounts of hunting abound, a far more frequent entry into local records concerns the destruction of crops, houses and human life by wild animals Indeed, presence or absence of wild beasts is a good indicator of the state of the village economy; whole villages and towns were abandoned when animals could not be controlled Although people in general and women being the principal victims -- in particular were relieved when 'man-eaters' were killed, there was a lack of co-operation from local villagers who said they feared divine retribution for their involvement Greenough notes that the relations between certain animals and humans are no less permeated by spiritual exchange and moral casuation than that between humans and flora

Some of the villagers' responses to wild beasts were individual, others were collective, and still others depended upon the intercession of the landlord or the colonial state These responses included vigil, beating drums, abandoning settlements, making wooden barriers and offering *puja* to placate marauders. Indigenous hunters or *baghmaras* enjoyed royal favour with the Mughals, tribal or low-caste hunters were also crucial to the success of peasant agriculture. The British introduced a system of bounties, paying cash for the remains of designated animals These rates reflected the anxiety of both local inhabitants and officials. The much-maligned Forest Act of 1878 introduced the practice of closed hunting seasons, bag limits and permits. The colonial state also established wildlife preserves in Kaziranga in 1926, and the Hailey (now Corbett) National Park in 1936, but such public efforts at conservation did not preclude the private pleasures of hunting enjoyed by princes, aristocrats and VIPs. It was in the post-1947 period, however, that the ratio between domestic and wild animals was reversed; India's wild fauna were decimated Preservation of habitats of declining populations of wild animals may well conflict with the interests of human beings sharing the same natural space

An examination of 'an environment that participates in human affairs' is the core of Ann Grodzin Gold's paper, 'Cultural Constructions of the Natural Environment in and beyond Rajasthan' Gold analyses folklore, collective rituals and mythology of Rajasthani villages, and emphasises the continuities between human beings and their non-human surroundings To her, meanings attached to the environment are linked with aspects of social organisation and economic production, economic and symbolic domains of knowledge are mutually constructed. The story of the Jangli Rani reveals an identity between humans and the wilderness.

After having discussed the political, moral and psychological implications of consumption from both private and common lands, Gold explores the images of the environment in Rajasthani folklore and finds "an immediate cause-effect connection between a person's condition and the natural environment" Nature, as an actor in folklore, does more than merely reflect the human condition; it often intervenes to change it. Divine sanctions exist against human interference with given environments. Indeed the power and authority of gods is predicated on their successful protection of natural surroundings, such as tanks and groves. The responsibility of maintaining a balance between human settlements and the wilderness is part of the moral economy that legitimises the rule of kings, as Gold points out from one of king Bharthari's tales. Significant also is the disapproval of excess consumption that is a *leitmotif* running through these tales.

Gold next turns to collective rituals aimed at controlling the environment. The ritual of cow worship, performed in the months of harvesting certain *kharif* crops, has as much to do with the 'human manipulation of geophysical conditions' as it does with celebrating 'the non-violent regenerative powers of women' Gold discerns here an eco-feminist parable having to do with the collective management of community prosperity. Similarly, 'village outside cooking' celebrates the health of cattle, which Gold sees as a form of common property, and strengthens village solidarity. These collective rituals respond to a need to overcome fissionary tendencies for the sake of moral well-being on which depend geophysical and physical well-being.

On the basis of her analysis, Gold rejects Wade's [1988] dichotomies between moral and calculative reasoning, and between efficacy and ceremony, arguing instead that ritual enactments of community spill over into the management of common property as well. She agrees with Vandana Shiva that the culturally constructed notions of consumption in rural Rajasthan are sensitive to the 'systemic interplay between nature and people', in contrast to 'western' constructions

Community, Authority and the State

Harry Blair's presentation on 'Democracy, Equity and Common Property Resource Management in the Indian Subcontinent' has two central theoretical concerns. first, can democracy support environmental integrity, especially through common property resource management? Secondly, what will be the impact of democracy on distributional equity? He argues that local democracy instituted by the modern state 'would not seem especially hospitable to CPRM or to equity to the poor'

Blair analyses forests as an example, since they represent a kind of mid-point on a CPR spectrum stretching from 'clean' to 'messy'. Democracy is compatible with two of Hardin's suggestions to avoid the 'tragedy of the commons', namely, centralisation and privatisation. Its compatibility with the third option, local control, is more uncertain. Of these solutions, privatisation has been implicated in generating power dynamics adverse to the worst-off. However, the effectiveness of a Leviathan in averting the tragedy cannot be guaranteed. Although decentralisation is often suggested as a counter to centralised power, Blair points out studies that conclude that such plans become little more than formulae from above in the hands of local elites. He is more hopeful for areas like West Bengal where long durations of communist rule have given the poor access to local government, thereby making its authority more legitimate. Local government along syndicalist lines likewise offers some promise

Blair's solution to this dilemma of more state or less is to introduce the concept of 'user-groups', members of which are linked by a direct common material interest rather than geographical jurisdiction. Ideally these groups should be small—or very large—and culturally homogeneous. When these conditions are met, CPR scarcity seems to motivate the right incentives for co-operation But concern with economic growth often overwhelms preservation; Blair thus entertains the controversial alternative of a donor Leviathan which attaches ecological conditionalities to aid packages as a solution to the global tragedy of the commons.

On the question of deep ecology, Blair argues that while a democratic polity gives access to groups with such interests, the 'ideational shift' (elaborated in Herring's paper) required to make them successful in electoral politics is a long time coming.

In 'Property, Authority Systems and the Artful State', Daniel Bromley argues that each resource management system is an authority system, the stability of which rests the security of a property regime, which in turn depends upon perceptions of what is scarce and valuable and which, as instruments of social policy, have specific ends as priorities. He starts with the essential fact that collectivities can design the institutions of their society and economy in a number of ways. These institutions he defines as 'a set of rights and obligations in force' which shape the choice of individual economic agents, and thereby reduce transaction costs. They can be classified as conventions, rules and entitlements. The state, as a guarantor of rights, must take an interest in what transactions it will and will not sanction.

Paradoxically, however, the 'artful state' is the most significant obstacle to the existence of meaningful enforceable authority systems. The role of the state is to create internal and external legitimacy for given property regimes and to apply coercion to enforce rights and duties. A failure to confer

social legitimacy, Bromley argues, in the case of third world countries, leads to the breakdown of local management systems through inner tensions or through increasingly tenuous links with the larger polity and economy. Aggressive enforcement of norms and conventions is thus needed for a successful CPR regime. The two major factors that weaken CPR regimes, according to Bromley, have been the lack of alternative opportunities, and privatisation in the immediate area. The failure of recently decolonised nation-states to maintain indigenous property rights structures, to create economic growth and development, and to create rules that guide individual actions towards social betterment are the real dimensions of the tragedy of the commons. He describes how various colonial states destroyed the village as an autonomous decision-making body, and how subsequent national governments have taken over vast tracts of natural resources without the capacity to manage them.

The binary opposition of state and society was challenged by Mark Poffenberger's paper on 'Fibre Grass from Forest Lands: A Case from North India', co-written with Madhu Sarin. The paper was based on experiences in villages of Ambala district in the Haryana Shivaliks, and concerns state intervention in a pre-existing triangular relationship between the fibre grass, the paper industry and local communities. His presentation ranged much wider, describing new forms of local society—state joint management throughout India.

In village Surajpur, a heterogeneous community which had alternative employment opportunities at a cement factory nearby, 40 of the worst-off members of the community, who depended most on the fodder grass, successfully petitioned the Haryana forest department (HFD) for the formation of a Hill Resource Management Society (HRMS). In Kahinwalla, which has caste homogeneity and where rope-making is the major income generating activity, villagers waited for the HFD's initiative. Seventeen HRMSs were created in the vicinity. The reactions of the paper industry, which had previously enjoyed privileged access to fodder grass, was one of alarm, and contractors tried to sabotage some of the HRMSs.

The position of state officials in this process was ambivalent. They ruled against the fodder grass leases given to the mills on grounds of public interest and in favour of the poor's access to subsistence. At the same time they were caught in a contradiction: on the one hand, they had to help villagers manage their resources, but at the same time, they had to either ensure lease recovery. Moreover, while they showed concern for the poor's subsistence, the terms set for the villagers for access to fodder grass were much tougher than the terms offered to mill-owners.

Poffenberger's oral presentation discussed joint management schemes in south-east Gujarat, south-west Bengal, Orissa, Haryana, eastern Maharashtra and south Bihar, covering thousands of villages. Schemes for regeneration of degraded land were of special interest. Labour from those in the village who had the lowest opportunity costs were producing real results in regenerating eco-systems which were of immediate economic benefit. The problematic concerned whether or not collective will would prove fragile when replanted trees reached a size of marketable value, at which point tensions over individual ownership could arise. These schemes required a fundamental change in the self-perceptions of forestry officials concerning their authority, local capacity for commons management and the balance between regulation and facilitation of local initiatives. Preliminary success seemed to be independent of any of the usual variables one might suspect—caste composition, culturally embedded reverence for forests, extensive local politicisation and mobilisation, etc—but in all cases, there were real material benefits to local participants. The independent contributions of culture and organisation remain unclear.

In 'Politics of Nature: Interests, Commons Dilemmas and the State', Ronald Herring interrogates the notion of 'interest' mediated by culture and structure, as the primary force dominating human behaviour as assumed in various literatures. Herring sees the 'tragedy of the commons' as an ideological construct employed by the state to justify its intervention in and appropriation of nature. 'Tragedy' is only part of the story of the commons, and one which is neither the exclusive nor even the primary outcome of commons situations, which may well facilitate the emergence of defensive as well as progressive responses, as in Wade's [1988] villages. Yet, tragedy is a more likely outcome in a second-order, often latent, conflict in which collective action fails to preserve nature independent of its human-attributed use values. Nature valued for human use underlies the 'social ecology' perspective; nature 'for itself' reflects the 'deep ecology' positions in the current environmental debate.

Herring next looks at the viability of the three solutions to the tragedy. In some cases, local institutions have successfully protected their environment, but they have no mechanisms for determining the 'tipping points' of their larger ecosystem, nor do they have the means to influence extralocal causes of degradation. If the Silent Valley episode is offered in support of state-centric solutions, there is no guarantee for the state's ecological sensitivity, since 'Leviathan must be fed'. The Silent Valley case itself reflects tensions within various levels of the state; mobilised local democracy in Kerala supported the dam in the legislative assembly, not the preservation of a unique forest ecosystem. The property rights solution, too, is dubious, since market rationality will only coincidentally coincide with ecological rationality. Moreover, privatisation excludes whole classes of society, and thus has unacceptable human costs. For all the warts of a contemporary centralised state, some 'broader collective authority' will be required to maintain boundaries, prevent externalities and mediate disputes among overlapping commons situations.

Since the tragedy of the commons implicitly assumes use-value for nature, it has no solutions to offer to deep ecologists, whose politics must be rooted in values of aesthetics, ethics and risk in support of unappropriated nature. Since perceptions of nature are also in conflict, Herring argues for a political economy of nature sensitive to its phenomenology. While there has clearly been some shift in perceptions of nature's value —as in the historical changes in evaluations of the Sundarbans (from useless and dangerous swap to valuable wetlands ecosystem)—there are constant growth pressures from the domestic and international political economy and political systems. Local democracy and decentralisation tend to support a social ecology agenda rather than deep ecology. Herring's ideal solution in the south Asian context is a state that resists despoliation for short-term gains, while at the same time ameliorating generalised destitution. For deep ecologists, Herring's solution is to appeal to a 'global commons' in which common interests imply both common sacrifices and shared power. While this brings up the conflict between sovereignty and collective rationality, it may also give new leverage to the south in dealing with the north.

Discussion

The Standard Environmental Narrative: East and West

Paul Greenough's claim about the emergence of romanticised 'standard environmental narrative' (SEN) was also directly tackled in Hardiman's paper on the Dangs and raised in Herring's treatment of 'defensive reactions'. It generated considerable discussion. One issue concerns the reality and explanatory importance of an 'Indian ethos' regarding nature, as presented by Singh. In extreme form, the argument implicitly posits an ageless, thus ahistorical, harmony between people and 'nature' in the pre-colonial period, extending to the present.

The SEN is transnational and threatens reinvention of the us-them dichotomy of modernisation theory and orientalism via modern noble savages. It assumes that 'ecosystem people' in effect have a consumption ceiling and will be perpetually happy with a life most intellectual ecologists would find unacceptable. Parts of the SEN assess blame and relate to the history of colonialism and its nationalist rendering. Other elements make assumptions about materialism as a basic human motivation, the reality of organic interest-cohesive communities, and the extent of pre-ecological-science understandings of ecology.

Positing an essentialised 'east' with its conservationist ethic in contrast to an essentialised 'west' with its ecological profligacy

comes dangerously close to an inverted orientalism. Though Hardiman identifies Seabrook and Pereira and Vandana Shiva as among the main practitioners of this paradigm that sees history set in motion only on the arrival of the colonialists, elements of the theme were apparent in some of the papers presented at the conference.

Anil Gupta best captured the tension of this contested discourse of natural resources by simultaneously positing an eastern world view (characterised by deference to others and moral sanction as causes among other things) and the concept of game theoretic work which privileges the methodological individualism characteristic of mainstream economics. Ann Gold's paper agreed with Vandana Shiva on the conservationist ethic in rural Rajasthan, and stressed, like Gupta, the moral dimension of consumption and co-operation. Collective rituals may indeed contribute to a sense of community which overcomes 'fissionary tendencies', but they may do the opposite as well. The difficult question concerns cultural practice at odds with powerful interests, under what conditions will symbolic enactment of a community interest (a) dominate or submerge private interests and (b) be ecologically friendly.

A fruitful approach to part of the problem of *how* culture drives behaviour was suggested by Ann Gold: cultural perception about sanctions (the gods really are punitive). These sanctions have behavioural consequences whether or not there is good empirical evidence for their validity: just as some people believe that the state cannot effectively punish petty tax evasion or disregarding traffic rules, whereas others do believe that the sanctions are real. These opposed beliefs are separate from a norm that one ought to pay taxes or obey traffic rules even if there are no enforceable sanctions. Bina Agarwal's paper explicitly rejected the essentialism of special environmental concern on the part of either Indians or women or even Indian women, such conservationist norms as exist are located in specific groups which have survival interests in nature [illegible] poor women in hill terrain. The milk/cereal plus in Chipko are of course indicative of this line of argument.

An essentialism implicit in the critique by Agarwal is implicit in simple rejection of the CPR discourse. Limited successes in the historical experience of the west (but of western origin is damning) [illegible] recourse to 'legal science' is an alternative becomes problematic for the same reasons which might well be right in positing collective notions of property and [illegible] interests of the west but of needs rich interesting that in the same private resource with common access that Singh mentions [illegible] collective or public access [illegible] subordinate groups were [illegible] automatically granted access were humiliated on the street and had to fight for their share of public goods (private provided from social surplus).

Collectively a number of papers emphasised the importance of centring local knowledge systems to understand the ways in which such generalised, democratic and accessible knowledge systems have informed resource use and survival strategies. But this focus on community and integrative practices is in conflict with narratives of power, conflict and of disequilibria often expressed in modes derived from dissonant popular culture most forcefully expressed by Parajuli. For example the reluctance of Greenough's peasants to co-operate with colonial authorities while located in a system of belief might well be seen as a political act of resistance situated in a conflict between local ways of perceiving the problem and the rational bureaucratic solutions of the colonial state.

What remained problematic, as it is generally in the literature, is relating norms legitimated by culture to behavioural consequences. Joan Robinson raised a parallel in attacking the concept of surplus value: you can kill sheep with incantations so long as you simultaneously use arsenic. For example Bina Agarwal's paper powerfully argued [illegible] political economy [illegible] for understanding [illegible] and the resultant [illegible] environmental values [illegible] epiphenomenal. Yet [illegible] differentiate the division of labour with [illegible] interests between males [illegible] without some context of cultural practice. How much of culture is composed of routine legitimating interests [illegible] incantation rather than [illegible] James Scott generally in *Weapons of the Weak*? Clearly this is a major and significantly understudied aspect of understanding mutual system social system interactions. It remains difficult to sort out counter interested *effects* of norms and the local mooring of norms such as the value of biodiversity which are taken for granted in a transnational *elite* environmental narrative.

Culture and Rationality: Norm and Interest

The problematic [illegible] in Indian thought is of course part of the much wider and older dispute between [illegible] and economistic explanations. Behavioural sciences [illegible] as primarily interested in behaviour [illegible] appearances whatever their origin. Failure [illegible] to degradation without the world [illegible] but material interests [illegible] counter-productive notion of preserving [illegible] power [illegible] to [illegible] aggravate [illegible] pressures [illegible] interests [illegible] of the [illegible] Behaviour [illegible] differentiation [illegible] issues [illegible] clearly [illegible] understood [illegible] determined by a group [illegible] system [illegible] public [illegible] [illegible] [illegible]

under-representation of subordinate groups in decision-making bodies is not without costs, nor is it clear how durable such solutions to the dilemma of authority may be.

The issue of norms also underlay the concern in Bromley's paper with political legitimacy; property systems cannot function without authoritative norms, an issue of particular importance to common property systems. Rita Brara argued that traditional authority structures at the village level fared better than did state-mandated ones. Nevertheless, informal authority proved to be exclusionary and not particularly beneficial to the weakest groups in the village.

Since much of the literature on common property and collective action, from Hardin to Olson to analytical Marxists such as Elster, is based on the assumption of self-interested individuals, we now look at the role assigned to individual interests and 'rationality' in the papers, especially as they relate to the question of co-operative behaviour. Whereas much of the literature on these subjects is formal, deductive and ahistorical, Herring's paper argues that the powerful concept of 'interest', often taken unproblematically, necessitates analysis of structure and culture—and thus history—even in terms of simple theoretical coherence. Historically-grounded culture forms the context within which 'interests' and action gain meaning.

Whereas Gadgil and Rao see 'elite' interests served by the state in relation to nature and scope of resource extraction, the formation and articulation of these interests at the level of the state is problematic. The triumvirate of politician, bureaucrat and businessman can hardly be said to have a unitary interest; inter-elite conflicts and their impact on resource use remains an important arena of investigation. The tendency to assume unity of interests from what may well be a vector sum of conflicting interests leads to difficulty in explaining change; the paper of Gadgil et al demonstrates just such reversal in official positions *vis-a-vis* peasant participation and power.

Gupta accepts Mancur Olson's theories of strategic behaviour among individuals with clear interests, and also his suggestion that collective action is less problematic in small groups (since sanctions and rewards can be meted out more easily). It seems evident, however, that Gupta's 'survival portfolios' are also competing portfolios. In his recourse to culture in the last instance as a mechanism for providing 'assurance' in uncertain interactions, Gupta assumes a more stable and homogeneous culture than is often the case.

Similarly, Kaul gives credence to the 'human urge to free-ride', yet documents co-operation among disparate and far-flung peoples. In her work, it is the onslaught of state and market forces that leads to the breakdown of the regional community. Certainly, for market forces, often for state forces, dynamics depend on the self-interested behaviour of individual agents: there must be defectors and collaborators. It may be as Karl Polanyi suggested: individuating pressures that result from the 'great transformation' become powerful social forces regardless of the strength of opposition by integrated communities.

One line of reasoning holds that existing forms of community solidarity organised around commons management are transferable to other forms of collective action, such as defensive reactions. Yet in Kaul's account of the Punjab, shared perception of an ecological niche that was one of the components of the regional community and other rituals of solidarity were not mobilised by the peasants to resist these forces. Echoing Gadgil and Rao and Gupta, Chopra et al make two interesting suggestions, one, that co-operation is part of a subsistence ethic, and the other, that it is structured by the very nature of certain resources. The first point suggests that scarcity breeds a co-operative ethos rather than a conflictual one. The second point is ambiguous in Chopra's paper: transfer of effective control over the resource from the locality to the state seems to have been decisive in undermining co-operation, although the resource in question remained the same. As in Brara's account, state interference with actually functioning institutions may be either infructuous or destructive.

Blair's 'user-groups' are constituted primarily by a direct 'common material interest', recognised but not necessarily created by the state. Manageable group size, resource scarcity and cultural homogeneity are held to be facilitating factors in success. Real decentralisation of resource management depends upon the assumptions that these groups already exist as coherent, legitimate, entities. Brara's paper demonstrates how difficult it is for states to establish novel institutions with real authority.

What the papers did not analyse systematically is the *sources* or origins of communitarian regimes of co-operation. The 'all-round tradition of CPR management', for example, is treated as given by Chopra et al, its formation and institutionalisation in relatively recently settled communities is left to be explained. Gold likewise treats gender, community rituals and the conservationist ethics of consumption as pre-constituted and thus unproblematic. Much of the literature in general uses a functionalist explanation in place of an intentional one: institutions arise because they serve specific functions, such as providing some common good. If it were that easy, the world would be a better place.

State and Market

A common theme at the conference was the role of the state and markets in destroying local commons and local environments, whatever the local configuration of culture and interests. It may well be that this effect is both structural and cultural; states reduce the political space within which local communities can work institutional solutions to perceived problems just as the 'great transformation' produces intense pressures for the commoditisation of everything and the individuation of interests. Nevertheless, neither state nor market is unproblematic in composition, dynamics or effect.

The theme that expansion of state and market forces leads to a breakdown of the authority of local institutions and therefore to resource degradation runs through the papers of Kaul and Chopra et al. What is puzzling in Kaul's paper is the fact that the same regional community that had managed its risks effectively through co-operation over so vast a canvas crumbled before the forces of the state and the market. Why did the political capacity engendered by large-scale co-operation and management not provide tools of resistance? In Chopra's villages, how do we explain the phenomenon, apparent elsewhere, of state intervention proving to be the kiss of death for local initiatives despite strong local traditions of CPR management?

Brara's paper brings out well how, despite the expansion of the apparatus of the developmentalist state, the village community retains its autonomous space and institutions, the 'parde ke peechche' panchayat retains real authority. However, the conclusion that what is needed at the level of policy formulation is to think in terms of 'one village, one panchayat' becomes problematic because of Blair's paradox: women and lower castes do not have much say in the autonomous institutions. This has a bearing on the decentralisation debate: the extent, scope and nature of the state's intervention in the rural economy in terms of its impact on distributive justice and empowerment.

In arguing that 'elite interests' mediated by the state have historically led to resource degradation, Gadgil and Rao make the familiar uneasy equation between 'elites', 'regimes' and 'states'. The cases discussed at the conference indicate that these boxes need disaggregation. While Singh is right in pointing out that the legal rules of the game have so far been used for centralising state control over resources, the suggestion that these rules be changed again for the common good assumes both leverage to move the state and state capacity to enforce rules. Though hostile to 'western' dominance of the discourse, Singh's perspective is not borne out by environmental practice in the United States. Courts there have themselves opened a counterspace and consequently played a larger role than anticipated and belied the claims of radicals that the legal system is an elite arena not worth contesting.

In contrast to the treatment of rural people as passive reflections of tradition and received culture, buffeted about by state and market forces, Poffenberger and Sarin describe peasants as active participants in their own lives. They take the initiative to create societies to control and manage local resources, even in instances in which such societies are created at the initiative of the state, the peasants are able to organise col-

lective solutions to common problems. In doing so, a fourth solution to Hardin's tragedy is advanced, that being state-initiated constitution of user-groups with joint management of the commons.

The crucial question in this story concerns the necessary and facilitating social networks within and between communities and political conditions that enabled joint solutions to common problems. Material rewards to individual families seem to be the common denominator in Poffenberger's cases (which varied along other dimensions). Yet one wonders what caused the Haryana forestry department's sudden concern for the subsistence of the indigent, and how the paper lobby which had so far had privileged access to the state had its position reversed. Poffenberger's presentation suggested new relationships in India between state and local society organised not around conflict over rights to nature, but around mutual interests in environmental regeneration. Again, we find states with less autonomy and clearly defined interests than any static or deductive analysis would indicate.

Parajuli's paper imparted dynamics to this problematic: repeated confrontation between the state and the Jharkhandis created a 'counterspace' for resistance. However, the Jharkhandis have been part of parliamentary politics for years. The specifically environmental trajectory of the movement remains cloudy; would concessions for autonomous development achieved in electoral bargaining with a developmentalist state produce political quiescence and ecological disaster? What is to prevent the counterspace from elaborating its own demands for destructive developmentalism?

The argument for a strong and legitimate state to enforce common property norms, as developed in Bromley's paper, poses the crucial question of whose interests Leviathan will serve. If it is the state that guarantees the legitimacy of resource management systems, the question of its own legitimacy must first be asked. Changing notions of the legitimacy of given property regimes come from conflict and co-operation in civil society. In a hierarchical world economic system, legitimacy may well be perceived in terms of precisely that form of development which has devastated so much of the global commons.

States are nested, just as commons are; concentric circles of ecological and political arenas stretch from the very local to the international. Powerful pressures on the state emanate from its position in the international system. Blair's notion of 'donor Leviathans' raises serious questions of sovereignty and thus of global democracy and yet it is not clear that conservationist international pressures might not provide useful assistance to local struggles against destructive and repressive states, as has clearly been the case in human rights on a global scale. Yet this logic assumes power asymmetries which are politically unacceptable to states in the south, as well as to the intelligentsia, as Madhav Gadgil and Ramachandra Guha argued forcefully in discussion.

International pressures have contradictory implications for local power to preserve local commons and environmental integrity. Herring argued that the biodiversity agenda of deep ecologists in the north implicitly recognises a 'global commons' in which common interests imply both common sacrifices and shared power; while this dynamic underlies the conflict between sovereignty and collective rationality, its realisation necessitates new political relationships between south and north. The caveat is that both actors are internally differentiated: Indira Gandhi moved to save endangered species in Silent Valley; George Bush is no friend of the spotted owl.

Understanding the state's interest in nature remains a major theoretical and practical puzzle. The state has claimed a special role and authority in part from legitimations rooted in the 'tragedy of the commons' logic. Local populations are seen as incompetent or worse; game-theoretic (particularly in the prisoner's dilemma mode) work provided justification for the view that even good intentions would not produce effective co-operation. The late 20th century has witnessed a sea-change in the valence attached to state intervention by mass publics and intellectuals. States are increasingly seen as more a part of the problem (any problem) than of the solution. Yet the character of natural systems seems to make a strong case for larger than local authority, even though the state's role to date frequently has been destructive. It was centralised authority which halted encroachment on the Sundarbans and protected 'Silent Valley' from a state legislature bent on development, but the Indian state has also pressed for destruction in other cases, as in the Narmada valley.

We still poorly understand the state's interest in environmental protection, its vertical and horizontal contradictions on environmental policy, and its new relationship to society in a field which increasingly touches all citizens, not just isolated forest dwellers. The state is also increasingly subject to international pressure, bribes and censure. The most disturbing normative implication is that all good things may not come in bundles; there may well be trade-offs among values of democracy, social justice development and environmental preservation.

Research agendas of the participants will almost certainly be altered by the conference. Bina Agarwal's concern that we often conflate mentioning women with gender analysis and *de facto* ignore the pervasive ways in which environmental issues in the subcontinent are engendered was profoundly instructive. Madhav Gadgil's, Anil Gupta's and Ram Guha's explicit concern that the north's conceptualisation of environmental issues amounted to an elitist 'sacred groves for the rich' strategy resonates with the major international political issue in environmental protection [Guha 1989]. The necessity of coming to terms with local practices, knowledge and culture was powerfully illustrated, just as the theoretical difficulty of doing so was highlighted.

Finally, for all its distortions, the much (and justly) maligned tragedy-of-the-commons metaphor is useful in directing attention to the reality of common interests in natural systems—all local commons are finally embedded in larger commons, though not in a common community or system of authority. This is sensitive turf because environmental politics of the north on a global scale clearly employ double standards and imply unequal and unfair burdens on the south. Nevertheless, the consequences of a global tragedy of the commons are in many ways similar to other international tragedies: the consequences will be born most heavily by those least able to adjust. Creating political institutions commensurate with threats is not easy, but recognition of common dilemmas is a precondition for more representative, just and effective politics.

[Though a draft of this report was circulated to participants, the views in this report remain those of the authors.]

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Problematising Nationalism

A Raghurama Raju

The problem of nationalism in India needs to be approached not from the perspective of derivation/autonomy but from that of incorporation/assimilation. It is also necessary to relocate the debate on nationalism in the politics of the present, juxtaposing nationalism to the so-called non-nationalistic realities, marking their tensions, appropriations and approximations.

IT would not be an exaggeration to assert the significance of nationalism for the making and unmaking of cultures and societies in the modern world. Partha Chatterjee's work, *Nationalist Thought and the Colonial World: A Derivative Discourse*?, offers a convenient ground for analysing this significance and of contending with some aspect of its emergence and its variety.

Following a brief exposition of some important perspectives on the idea of nationalism, this article presents Chatterjee's appraisal and reformulation of them. While explicating one of the underlying assumptions of Chatterjee's formulation, namely, the construction of the monolithic west, an attempt is made to revoke the relation between the idea of nationalism and western societies and try to show its discontinuity. In this context presented here is another form of Indian nationalism, namely, the ideology of Hindutva as reflected in the writings of V D Savarkar, amplifying in this course the support it seems to lend to Chatterjee's thesis. We conclude with a series of questions voicing the seriously delimiting character of Chatterjee's analytic framework, as routed through the formulation, 'thematic' and 'problematic'.

This would entail opening up the contours of Chatterjee's discussion, going beyond its frame—the politics of the idea of nationalism in its transplanted context—and to pose afresh the question of the politics of this idea in its original context. This would, I think, facilitate not only clarification of certain basic nations surrounding nationalism, western and Indian, but also provide for a reformulation of Chatterjee's thesis. In this paper I am interested in raising certain broad issues concerning Chatterjee's work and would not attend to its other empirical references such as, his interpretation of Gandhi, Nehru, etc.

I

The idea of nationalism in its original context has been viewed by liberal-rationalists John Plamenatz (1976), Hans Kohn (1967),Ernest Gellner (1983) and Marxists H B Davis (1978), B Anderson (1983). The nationalist project for the liberal-rationalist is an enabling agency for the realisation of the 'universal urge for liberty and progress'. In those instances where this project became the ideology of 'racial hatred' and generated 'irrational revival movements' and 'oppressive political regimes', this has been explained away by its proponents as owing to the prevalence of 'conditions unproportion to freedom'. Thus they establish a necessary relation between nationalism and the ideals of 'liberty' and 'progress'. Accomplishing the ideals of the idea of nationalism involves, for Gellner, a

> general imposition of a high culture on society, where previously low cultures had taken up the lives of majority, and in some cases of the totality, of the population, ... It is the establishment of an anonymous, impersonal society, with mutually substitutable atomised individuals, held together above all by a shared culture of this kind, in place of a previous complex structure of local groups, sustained by folk cultures reproduced locally and idiosyncratically by the micro-groups themselves. That is what *really* happens (1983:57).

This nationalist project, it may be noted, is not philosophically defended but explained sociologically as a 'requirement of industrial society' and its 'cultural homogeneity', to which mankind is said to have been irreversibly committed. This paradigm of universal history, when confronted by the arguments of cross-cultural relativism, instead of answering the objections of the latter, explains them away by a sociologism according to which, the agrarian plural society 'somehow or other' manage to overcome their particularities. Gellner, who, while confronted by the argument of relativism evades them by declaring that,

> The question concerning just *how* we manage to transcend relativism is interesting and difficult, and certainly will not be solved here.

And asserts, that,

> What is relevent, however, is that we somehow or other do manage to overcome it, that we are not helplessly imprisoned within a set of cultural cocoons and their norms, and that for some very obvious reasons (...) we may except fully industrial man to be even less enslaved to his local culture than was his agrarian predecessor (1983:120).

For, B Anderson, nation is 'an imagined political community', and is 'thought-out' and 'created'. This imagined political community of nation supersedes the preceding 'cultural systems' of religious community and dynastic realm, in the process generating "a fundamental change ... in modes of apprehending the world, which more than anything else, made it possible to 'think' the nation". The factors responsible for this change is "a half-fortuitous, but explosive, interaction between a system of production and productive relations (capitalism), a technology of communications (print) and the fatality of human linguistic diversity". Thus making the 'innumerable and varied idiolects of pre-print Europe ... now "assembled, within definite limits, into print-languages far fewer in number" ' (Anderson cited in Chatterjee 1986:19).

Chatterjee explicates and criticises the 'sociologism' explicit in both Gellner and Anderson (belonging to liberal-rationalist and Marxists schools respectively). He argues that there are no substantial differences between Gellner and Anderson, and lists three substantive issues on which both concur. (a) In their recognition of the fundamental change in ways of perceiving the social world preceding nationalism. While 'Gellner relates this change to the requirements of industrial society, Anderson more ingeniously, to the dynamics of 'print-capitalism'. (b) "Both describe the characteristics of the new cultural homogeneity which is sought to be imposed on the emerging nation: for Gellner this is an imposition of a common high culture on the variegated complex of local folk cultures, for Anderson the process involves the formation of a 'print-language', and importantly for Chatterjee. (c) "Both see in the third-world nationalisms a profoundly 'modular' character ... outlined by given historical models which are objective, inescapable imperatives"

[Chatterjee 1986:21]. From this Chatterjee concludes that both liberal-rationalists and Marxists have resorted to

> *Sociologism*, i e, fitting nationalism to certain universal and inescapable sociological constraints of the modern age, or alternatively, reducing the two contending trends within nationalism, one traditional and conservative and the other rational and progressive, to their sociological determinants, or invoking a *functionalism*, i e, taking up an appropriate attitude towards a specific nationalism by reference to its consequences for universal history (1986:22).

In reducing the problems of nationalism into the paradigm of sociologism, Chatterjee points out that the problem of nationalism has not been formulated as a problem either 'for epistemology or political philosophy'. Away from these received formulations Chatterjee takes the very system of knowledge representing the idea of nationalism to task, locating nationalism as a problem in the history of ideas and formulating it along a knowledge/power axis that sees 'thought' itself as one "which can dominate and subjugate".[1]

By locating nationalism as the problem in the history of political ideas, Chatterjee complicates the relation between western nationalism and Indian nationalism, showing the latter as a derivative of the former. In doing this he comes to take western nationalism as a monolithic, obliterating the distinction between the idea of nationalism as a form of Enlightenment, and the western society. He sees the idea of nationalism as a western idea, having its genesis in the Enlightenment, and goes along with Plamenatz in identifying France and Britain as the pace-makers of this idea, as those who set the standards for other societies. Such other western societies as Italy and Germany, though in a disadvantageous position in keeping pace with these standards, had nevertheless possessed the "necessary linguistic, educational and professional skills that were deemed necessary for a 'consciously progressive civilisation' " [Chatterjee 1986:1]. It is obvious that for Chatterjee the idea of nationalism does not pose any significant questions to western societies themselves. We must ask: what is the relation of the Enlightenment to the societies of the west? Indeed, it can be shown that the relation between the idea of nationalism as a product of the Enlightenment, and western societies themselves is not a smooth one but consists of stresses and strains. The fact of Italy and Germany possessing the necessary requirements for becoming nations does not by itself make this process, of becoming a nation, a smooth affair. Western social realities preceding the idea of nationalism seem to have been put to more or less the same ordeals as eastern societies. In short, Chatterjee's position undermines the western critique of western nationalism.

To properly understand the relation between the Enlightenment and western societies would presuppose having a sense of the former. The conception of rationality underlying the nationalist discourse is derived from the Enlightenment presuppositions of man and society: the concept of pre-societal man, what I term as 'hypothetical man' This concept of man as postulated by the contract theorists has no reference to the natural man ('is'),[2] nor is it a concept of man when he realises his teleology ('ought'); rather, it is a postulation divorced from reality.[3] Further, this conception of man has been shown by the contract theorists to be fashioning a social state; a state which I characterise as 'artificial society', whose sovereignty expresses and is an expression of the general will, specific contents of this will coincide with the idea of nationalism. Indeed, the general will can be viewed as forming the ideological basis of the idea of nationalism and the contract theorists, particularly Rousseau as the protagonists of totalitarianism. [J W Chapman 1956; J L Talman 1966; W Kendell 1941]. A more detailed working of these themes cannot be undertaken here and must await another occasion.[4]

These presuppositions of the Enlightenment thought in their encounter with the social realities surrounding them introduce basic discontinuity; in particular they transform these realities in the self-image of the Enlightenment. Specific fragments of this transformation find expression in the work of Gellner, in his analytic characterisation of the transition from 'wild' to 'high' cultures. The former, i e, the 'wild' culture, refers to the traditional agrarian societies which according to Gellner, like the savage plants are produced and reproduced 'spontaneously' without a 'conscious design' surviving in a 'dense, given atmosphere'. The 'high' cultures on the other hand, refers to nations which "possess a complexity and richness, and usually sustained by literacy and by specialised personnel ...", and cultured "in a new, specially blended and artificially sustained air or medium". These processes are created and maintained by the state, on whom the people of the nation are made to depend. Gellner contrasts this dependency on the state, necessitated by the 'high' culture against that obtaining in the 'wild' culture, where men are not solely dependent on the state for support [Gellner 1983: 50-51].

The transformation referred to above is not smooth, neither governed by sympathy nor understanding of what is being transformed. As Gellner writes, the transformation is not an "awake(ning) .. (of) an old, latent, dominant force", ...

> (but) a period of turbulent readjustment in which either political boundaries, or cultural ones, or both, were being modified, so as to satisfy the new nationalist imperative which now, for the first time was making itself felt ... (and) this period of transition was bound to be violent and conflict ridden (1983:40).

This transformation of the agrarian societies into national cultures marks a discontinuity between them, making the discourse of nationalism a discontinuous discourse. The material for recognising the relation between the Enlightenment and the western societies, though easily available in Gellner, has not been noted and problematised by Chatterjee.[5] He confines his discussion to expose the political domination of the nationalist thought in the colonial world, charging Gellner instead with ignoring "the problem of incommensurability and inter-cultural relativism which the new nationalist culture must overcome" [Chatterjee 1986:8]. This charge is levelled by Chatterjee in the context of the pluralist character of the third-world societies. But what of nationalism itself and its relation to the western societies? Chatterjee does not query this. Indeed, this relation itself is rendered insignificant given his construction of the west as a monolithic whole, a construction uninformed by the histories of the western societies and their variations.

Establishing this relation between the Enlightenment and the western agrarian societies and showing it to be discontinuous, in my view, facilitates a better reading of the relation between western nationalism and Indian nationalism, than the one available to Chatterjee. Laying bare this distinction would also facilitate the location of a critique of nationalism not in an amorphous space called west, or western nationalism, but pointedly to a particular instance of the west, namely, the Enlightenment. The preceding discussion facilitates the claim that not only is Indian nationalism derivative, but the idea from which it is derived is discontinuous with its own society. That is, the idea of nationalism is not only oppressive/dominating in its application to the third-world but it also seems to be inherently so.

II

It is this idea of nationalism which the Indian nationalists comes to inhabit. Chatterjee traces the nature of this relation which is neither smooth nor linear but complicated, and hence to be approached 'in terms of stages'. Indian nationalism is both opposed to and imitative

of the idea which is western. That is, it challenges the colonial rule making "certain claims regarding the practical forms through which these possibilities could be realised" [Chatterjee 1986:40]. This, is seen to constitute the problematic of Indian nationalist thought, which, being active and participating, Chatterjee affirms to be different from the problematic of 'orientalism',[6] being non-passive and participating. The subject of the nationalist thought is viewed as possessing a 'subjectivity' which is "active, autonomous and sovereign". Chatterjee shows these claims of the problematic of the Indian nationalist thought to be "justified by appeal to logical, epistemological, and ethical principles" drawn from the rational knowledge systems of the Enlightenment age, what for Chatterjee constitutes the thematic of the nationalist discourse. He writes, the thematic "refers to an epistemological as well as ethical systems which provides a framework of elements and rules of establishing relations between elements" (1986:38).

The relation between the concerns of Indian nationalism (problematic) and the idea of nationalism (thematic) for Chatterjee "is not a simple relation of correspondence, even of derivation", but is complex, its route very serpentine and hence to be explained in terms of 'theory of stages'. He advances two reasons for the complexity of this relation: (1) Indian nationalist thought is selective—deliberately and necessarily—about what it takes from the western nationalist thought. Even when it adopts from western thought, the adoption is not wholesome, for that would not constitute itself as a nationalist discourse. (2) The Indian nationalist thought (problematic) and the idea of western nationalism (thematic) are prone to various changes. To quote Chatterjee,

> The thematic will tend to apply a closure on the range of possibilities, and many possibilities will be ignored and some not even recognised. At the same time, this process of mutual influence between the thematic and problematic of nationalist discourse—the periodic dissociation and coming together—could even produce at critical junctures a thoroughgoing critique of the thematic itself, points at which nationalist thought will seem to be on the verge of transcending itself (1986:43).

Given this revised formulation of problematic and the thematic, Chatterjee points out a crucial contradiction in the character of Indian nationalist thought, in that it repudiates the very structures it imitates. This repudiation involves rejection,

> in fact two rejections, both of them ambivalent: rejection of the alien intruder and dominator who is nevertheless to be imitated and surpassed by his own standards, and rejection of ancestral ways which are seen as obstacles to progress and yet also cherished as marks of identity. This contra-dictory process is therefore deeply disturbing as well. Eastern nationalism is disturbed and ambivalent as the nationalism of Herder and Mazzini were not [Plamenatz (1976) quoted and paraphrased by Chatterjee in 1986:2][7]

Indian nationalism, confronted with this contradiction, strives to overcome it by resorting to a process of imitating the west, accepting the latter's superiority with regard to material progress, while affirming itself as being spiritually superior, even in a position to export its spirituality to the west, and thus drawing a claim for autonomy on this basis.[8]

Chatterjee goes on to chart the nationalist process of 're-equipping' India under three broad moments: the 'moment of departure', Bankim Chandra Chattopadhyaya, the 'moment of manoeuvre', Gandhi; and the 'moment of arrival', Nehru.

The contents of Chatterjee's discussion seems to be broadly limited to the Indian nationalism based on liberal-rationalist ideology, primarily the nationalism of the Indian National Congress. This is only one form of Indian nationalism, may be the dominant form; and hence one cannot hastily conclude that Indian nationalism is derivative. Rather, it must be stated that the nationalism of the Indian National Congress is derivative. In other words, the Indian National Congress, in articulating its concerns within the knowledge systems which are western is productive of a derivative discourse.

What would happen to this derivativeness if one were to consider another instance of Indian nationalism? It is in this context I shall discuss the ideology of Hindutva as stated in the writings of V D Savarkar. The question may arise why this particular instance and not some other? The choice is governed by some of the significant developments in the contemporary Indian politics. The rise in the popularity of Bharatiya Janata Party (BJP), Shiv Sena, Vishwa Hindu Parishad (VHP), etc, characterised as the rightist parties/organisations, and the corresponding decline in the popularity of the Congress, labelled as the centrist party, marks a significant development in the politics of the contemporary India. Both these parties have been contestants for power before and after independence. However, it has been the Congress which succeeded in capturing power till 1975 and after a brief break again between 1977-1989, conceding only little success here and there, particularly at the local levels to the 'rightist' parties. The scene however seems to have been changing with the rise in the popularity of BJP, Shiv Sena, VHP etc, a view which is contested by Gail Omvedt (1990). Particularly, BJP by claiming to be a national party safeguarding the unity of India--a claim marked by an ambivalence in shedding and embracing its erstwhile Jan Sangh type of fundamentalistic predilections--has been working towards larger appropriations. This change necessitates along with other things, a discussion of the ideology of these parties.

One of the central themes running through the various invocations of Savarkar is political unity. It is around this notion that he weaves his other concerns: (a) The formulation of Hindutva as "not (just) a word but a history" (1964:2), consisting of one language (Hindi), one name (Hindu), a common culture and law, what for Savarkar, are pre-British and pre-Islamic (1964:46). (b) His plea for developing western science, technology, industry and knowledge systems, in India, to be used for both achieving material prosperity as well as for making bombs, weapons, in order to 'militarise Hindudom'. Militancy for him is not an end in itself but is at the service of 'unity of India', making the concept of unity, not militancy, central to his discourse. In an interview, Savarkar is reported to have said:

> It is sin to follow the path of violence where it is possible to make progress in a peaceful way. Such were my views when we (referring to Gokhale) worked in the revolutionary camp [in Keer 1966:129].

It is through this forced militancy and not by having a common constitution that India could regain its nationhood and remain united. It is interesting to note that both liberals as well as militant nationalists accepted science, technology, industry, etc, which are the products of western knowledge system, although the latter intend to use them to establish unity through militancy.

Further, it is this notion of unity which decides Savarkar's friends and enemies. These relationships in him are not exclusively religious but 'political'. In *The Indian War of Independence 1857*, he attacks Sikhs for not joining hands with Hindus and Mughals to fight against the British. He observes:

> The Sikh princes and people, did not wish well to the Revolutionaries even at heart; nor did they remain neutral; nay more, they did not hesitate to aid openly with the English and shed the blood of their own countrymen on the field of the battle.

On the contrary,

> The Hindus as well as the Mohemmedan communities thoroughly sympathised at heart with the revolutionaries and were full of hatred towards the British[9] (1947:496).

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not criticise 'Mohemmedans' instead he goes out of his way to praise them, addressing them as 'brethren!'. His later antagonism to Muslims, particularly the Muslim League, is in the context of the threat to this unity—which he romantically upholds—with the demand for Pakistan. Likewise, his explanation for the causes of the fall of Buddhism in India, is again political. For him, it is due to "Buddhist forces...(making) China the basis of operation...reinforced by contingents from many Buddhistic nations..." (1964:16). The concerns of Savarkar, it is evident are clearly political, his tone often propagandistic, being based not on argued facts but managed through the sheer power of rhetoric and emotions.

The concept of Hindutva is an idea embodying this principle of unity. Hindutva, for Savarkar, needs to be distinguished from Hinduism. A Hindu need not necessarily accept the authority of Vedas, as "a man can be truly Hindu as any without believing even in the vedas, as an important religious authority". Hinduism is identified with vedanta philosophy, and is not central to Hindu rather, it is for Savarkar a "derivative, a fraction, a part of Hindutva" (1964:2). Hinduism is not to be the main concern for Hindus, and maintains that we Indians "are at present all Shudras and cannot claim access to the vedas and vedanta". We, says Savarkar, "as a nation, are unfit for these sublime thoughts,...Let us study, history, political science, science, economy; live worthily in this world, fulfil the householders' duties and then the philosophic dawn might come" [Keer 1966:137]. The overtly religious nature of Hinduism comes to be charged with the political intent what for Savarkar culminates into Hindutva. The Hindu of Hindutva is defined by him as one for whom सिंधुस्थान ("S/Hindustan) is not only a पितृभू (fatherland) but also a पुण्यभू (holyland)" (1964:74). The primary concern of Hindutva is political unity, material prosperity and military strength. The failure on the part of the Indian society not to become a strong nation, in yielding to the foreign rule, is for Savarkar a political failure—a failure in not seeking military means to establish the unity. Hence the need to 'Hinduise all politics' and 'militarise Hinduism'.

This ideology of Hindutva though threatening to provide a discourse different from the nationalism of Indian National Congress nevertheless comes to replicate the same paradoxes of the latter, Savarkar berates the constitutionalism of the Congress, as insufficient to safeguard the national unity, and affirms militancy as a means to upholding this unity. The affirmation finds justification in the experience of the west, particularly the attributes the success of western nationalism to their having a single unified religion and their use of religion as a means to "wordly strength and social solidarity". By way of contrast, he confronts the diversity of Indian society, maintaining that Hindu never looked upon religion as a means of strength and solidarity. This, according to him, "is their fundamental blunder from the point of view of nationalist strength and solidarity" [Keer 1966:142].

Thus, we must ask: Is Savarkar's militant nationalism also not privy to the process, that though opposed to the mainstream nationalist discourse, it upholds the model of 'universal modernisation' inscribed in the latter? Also, what of the echoes within Savarkar that reminds one of Mazzini? (incidentally, Savarkar translated the autobiography of Mazzini into Marathi and often adulates Mazzini in his writings). Indeed, Savarkar's obsession with unity, to be supported by militancy, his preoccupation with history, politics, modern science, and his endorsement of such 'orientalist' categories as 'Indian spiritualism' and 'western materialism' comes to bolster the 're-equipping' thesis intrinsic to the Indian liberal-rationalist nationalism. The obsession with unity, with 'nation-building' seems to concretise the concerns that have animated the post-independent Indian state. What Savarkar's avowed militancy hides is the search for alternative conducts for modernity. Most strikingly, perhaps, is not just the emphasis on politics, on establishing lines of political authority, but the coincidence of political intent, Savarkar's preoccupation with 'Hinduising all politics' and 'militarising Hinduism' and modernising India/Hindustan, to reinforce as it were, a sovereign nation state. A resolution in modern times, incorporating, our contemporary instances of violence.

III

There may well be other instances of nationalism, separate from that of the Indian National Congress and Hindutva, that may, or may not reflect this contradictoriness of nationalism in its transplanted context. Assuming that they do, are we then to conclude emphatically that the pluralities of nationalisms in India embody within themselves the same contradictions that underwrite the mainstream nationalist effort of the Indian National Congress, what has been presented by Chatterjee? To reply in the affirmative would be relatively a simple option. Rather, I would argue, that it is within the framework of this question that one begins to think through the inherent limits analytical frames, employed in Chatterjee, thematic and problematic one could argue that the varieties of nationalisms have all shared in a singular thematic, while their problematics may have been distinctive. What does one have if this suggestion were to be carried through? One perhaps finds the militant nationalism embodied in the Hindutva concept replicating the same paradoxes of the mainstream nationalist effort, marked by a divergence between the 'thematic' and the 'problematic'. More, importantly, however, a perspective from the militant nationalism embodied in Savarkar could, in relation to mainstream nationalist discourse, suggest a convergence of their 'thematic' but with opposing 'problematics'. The militancy dimension of Savarkar's discourse suggests something more than just a question of means, of the instruments realising nationhood. Also, what seems to be equally significant, from the point of view of the nationalisms, in the west, one could posit the same convergence of 'thematic' but divergence of 'problematics'.

Surely, Chatterjee's mode of posing the problem of nationalism renders a history of nationalism(s) unintelligible, even impossible. Where, for instance, does the nationalism of the Herder and Mazzini type figure in relation to the liberal-rationalist nationalism of the Enlightenment? And, to deflect from these questions we have just formulated, what of those nationalisms in Europe which succeeded in challenging and destroying the "liberal constitutionalism in the (Europe) of the eighteen sixties", adopting later, some of its outward forms to the "services of an expanding and modernised (Europe)"[10] [Kohn 1967:357]. Importantly, is one to talk of nationalism in the singular or in the plural, a problem which, I assert, would have to be formulated both in the context of nationalism's originating context (west) and its transplanted manifestation (non-west)? These questions, I should think embody significant histories which in the context of Chatterjee's analytic presentation in terms of 'thematic' and 'problematic' are obscured into a singular dominant history. The framework assumes a dominant configuration, and consequently, the activity that Chatterjee concedes for the 'problematic' of the nationalist thought, is rendered innocuous, under the sway of the 'thematic'. What if one were to take the realities connected by the 'problematic' as active, and the relation between the 'thematic' and the 'problematic' dialectical or dialogical. This would necessitate approaching the problem of nationalism not from the perspective of derivation/autonomy but from the perspective of incorporation/assimilation. In other words, Chatterjee's perspective

hat the framework employed by Chatterjee s not intrinsic to the discourse which he nalyses; rather, he thrusts it upon his naterial.

To conclude, given this restrictions imposed by Chatterjee's form, how do we egin to pose afresh the question of nationalism in India? A necessary starting oint would be to relocate it in the politics of the present, juxtaposing nationalism gainst the so-called non-nationalistic ealities of India, marking their tensions, ppropriations, approximations. The Bharat-India interface (posed by, say Sharad Joshi), the question of Nation vs Dharma' (presented by Badrinath Chaturvedi), and such other phenomena s Tikait in western UP, the Bahujan Samaj party of Kanshi Ram, etc, suggest ossibilities quite other than the contenions of mainstream political analysis [11] But exploring them would constitute the ubstance of another paper.

Notes

I thank Sasheej Hegde for helping me for rnulate the concerns that animate and, clearly go beyond this text

The earlier draft of this paper was presented at the seminar on 'Political Thought in Western India 19th and 20th Century' organised by department of political science, Goa Universit y in collaboration with ICSSR, Bombay dur ing January 15-16, 1990. To Adi Doctor, Y S Prahalad and Navjyoth Singh, among many others, I am thankful for their encouragement and comments]

1 In this context Chatterjee raises the following issues. thought as a vehicle of change; the relation of thought to existing cultures of society, imposition of cultural categories and frameworks of thought produced in alien cultural context, i e, is the positive knowledge contained in these frameworks neutral to the cultural contexts?, in cases where there are two cultures, one dominating the other (as in colonialism) how thought comes to be received in the subordinate culture? etc (1986 26-28)

2 One of the failures in the discussions of *is ought* controversy in the western philosophy is its failure to distinguish between the empirical 'is' and postulated 'is'

3 This marked polarisation between the assumptions of the Enlightenment and the western social realities generated a wide gap between thought and reality In this, theories come to fall apart from realities, a second fall' This gap in the period following Enlightenment comes to be mediated where both theory and reality comes to appropriate each other The theory modelling the Enlightenment appropriates the reality in certain ways by creating realities, an enterprise assisted by modern science and technology; by transforming realities through social change—in these the realities are brought nearer to the theory. And the theory comes to be revised in order to represent/appropriate the reality better The contributions of Hegel, Nietzsche, Darwin, Freud, Marx can be contextualised in this evolution unconscious, concreteness respectively, come to be resurrected to the Enlightenment abstract assumptions stated above Thus bringing the theory nearer to the reality These two appropriations are not, however, to be taken as exclusives but mutually interacting with each other.

4 However, some of these issues have been discussed in my *Man and Society. A critique of the presuppositions of Modern Political Philosophy*, unpublished doctoral dissertation submitted to IIT Kanpur in 1985.

5 It may be noted here that Gellner, though recognised the relation between the Enlightenment and the western agrarian societies, does not question the Enlightenment presuppositions of man and society. He seems to concur with his predecessors about the self-evident truth of these assumptions. Further, citing arguments from Gellner to work a case for discontinuousness of the nationalist discourse within the west should not however be taken as a wholesome adoption of his thesis, particularly, not the sociologism associated with it While it is true that Gellner's sociologism militates against the conception of thought as an instrument of social change, what is central to Chatterjee, we should also guard against embracing this contrasting position. To subscribe to either of these strands is a convenient devise of a theorist. But this could not enable us to capture the constant interaction between thought and social process, to formulate a metaphysics of dialectically related theory and reality.

6 The problematic of the Orientalism is defined as an 'object of study, stamped with an otherness—as all that is different, whether it be 'subject' or 'object'—but of a constitutive otherness, of an essentialist character... This 'object' of study will be, as is customary, passive non-participating, endowed with 'historical' subjectivity, above all; non-active, non-autonomous, non-sovereign with regard to itself; the only Orient or Oriental or 'subject' which could be admitted, at the extreme limit, is the alienated being, philosophically, that is other than itself in relation to itself, posed, understood, defined—and acted—by others [Anouar Abdel—Malek in Chatterjee 1986.36]

7 While I agree with Plamenatz and Chatterjee with regard to the disturbance that nationalist discourse evoked in the Indian nationalists, as already discussed the process of nation-making is also disturbing both to the traditional European and traditional eastern societies, more painfully for the former as the success of nationalism is more pronounced in them.

8 Underlying this mode of analysis is the construction of the west as a monolithic embodying materialism, underplaying the notion of spirituality and religion within the west. Consequently, by following the same argument India comes to be identified with 'spiritualism', underplaying the material aspect of its culture

9 The Sikh's reluctance to join the 1857 uprising as also their active participation in suppressing it are to be seen in the light of the there was a continuous struggle for religious freedom against the Mughals with the proclamation of Bahadur Shah Jaffer as the Empire by the revolutionaries. The Sikhs feared a renewed religious intolerance. This point has been totally ignored by Savarkar Further, Savarkar does not take into account that just eight years before the 1857 the upper caste Hindu and Muslim soldiers of East India Company had deprived the Sikhs of their freedom although the Sikhs were fighting a war to protect dharma.

10 We may note that Hans Kohn has in mind here the challenges posed by Bismark to the Prussion state.

11 Elaborations on these and other themes can be had from Sahasrabudhey, Sunil (1986) The lines of analysis suggested by Mitra Chandan and Chaturvedi, Badrinath (1990 on the pages of *The Times of India* are also worth pursuing.

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Social Causes of Hunger

Porus Olpadwala

An End to Hunger? The Social Origins of Food Strategies: A Report prepared for the United Nations Research Institute for Social Development and for the South Commission based on UNRISD research on food systems and society by Solon L. Barraclough; Zed Books, London, 1991; pp 284.

I

IT is a sad reality that people regularly go hungry in our day and age. That they do so in overwhelming numbers in a world of agricultural abundance is shameful as well. The problem persists despite the close attention called to it by world politician and entertainer alike, and more importantly, despite the concerted efforts over three decades and more of countless highly knowledgeable, well trained, reasonably well financed, and exceedingly dedicated professionals of great goodwill from all over the world. Indeed, the Institute on Hunger and Development (Bread for the World) estimates in its *State of World Hunger* report for 1992 that "there are more hungry people in the world than ever before". Even if, as some argue, this represents a somewhat smaller proportion of humanity than earlier, that is scant comfort for the millions who still suffer and are at risk, and should not be of any greater consolation to the rest of us.

Who amongst us has not wondered about the reasons for such a calamity? And yet, genuinely satisfactory explanations are hard to find. Human destruction of such immense proportions necessarily has many causes. They stem partly from societal arrangements, partly from the natural world. They relate to a whole host of scientific disciplines. They occur singly and jointly. They arise within the boundaries of the societies concerned, and are imposed or influenced from outside. They vary with geography and have changed over history. They are often closely tied to politics, and thus prone to ideological interpretation and obfuscation. Sorting them out is a complicated task, even in the best of circumstances. In the normal run of things, or in incompetent or unscrupulous hands, the results are almost always wanting.

An End to Hunger? is a long overdue exception. We have here the intellectual culmination of a lifetime of sterling work in the area of food and development. What Barraclough modestly terms his 'biases' in the Preface are in reality the impressive credentials of an agriculturist, activist, international civil servant, scholar, and above all, humanist. His words carry great authority.

Barraclough is a quintessential practitioner-scholar. A country youth from New Hampshire (he still owns farmland there), he served with the US Occupation Forces in Japan after World War II, an experience that he credits in the book with sparking his interest in development issues. After an economics doctorate from Harvard—financial courtesy the GI Bill—he began professional life working with sharecroppers in the Mississippi Delta. There he first became acquainted with extreme social and economic inequities, and the brutal power of landed interests, that later were to form one of the focal interests of his life and work. As a US agricultural officer in west Asia, and then as a senior official with the UN Food and Agriculture Organisation (FAO) in Latin America in the 1960s and early 70s, Barraclough became renowned as an authority on land tenure and agrarian reform. He wrote at length, lectured, and taught in many third and first world universities. (Cornell was lucky to snare him as a tenured professor of agricultural economics in the late 60s, but after a short time he returned to the field.) His scholarship led him to the directorship in 1977, of the UN Research Institute for Social Development (UNRISD). Even as an international civil servant and researcher, Barraclough never forgot his grass roots activism, for which pains he paid the all too common price. His family was forced to depart Chile in danger after the 1973 military coup, and later, at the start of the Reagan years, he was prematurely eased out of the UNRISD directorship by state department pressure because of his assistance to revolutionary Nicaragua.

II

Although he never states it quite so directly, Barraclough argues that the problem of world hunger has two roots. One is the failure of public policy; the other, the destructive effect of regressive social structures. These twin shortcomings are present in both the third world and in the industrialised countries. Detrimental policy and stifling social structures are not confined to agriculture and rural areas only, but extend to all parts of the national economy, including the urban-industrial sector, and international trade.

This deadly mixture of failed policies and biased social structure ensures the food insecurity of billions of people. Investments are diverted to non-priority and luxury needs, in the countryside and in the cities (p 34). Agricultural production is shunted to cash and export crops, instead of food crops (pp 31-33, 239). Food crops, when grown, are given over to animal feed and other non-human consumption. Business and public benefits are cornered and co-opted by the privileged classes (pp 30, 70). The rural poor are physically and psychologically brutalised. If they choose to resist, even if by "peaceful democratic means, they are likely to be forcibly repressed with loss of liberty, livelihood and sometimes life... [by] devastating reprisals from landlords, employers and the police" (pp 177, 245).

The most important way to reduce hunger and food insecurity is to enlarge the numbers of people who are in control of their own economic destiny. This requires raising the levels of genuine participation in society, particularly amongst the least privileged. The main barriers to this are found in social structure rather than in faulty policy. Eliminating or reducing structural roadblocks almost always involves some measure of agrarian reform and changes in land tenure, although it may not be limited to that. Where land has been distributed more equitably, improvements have followed in food security and general physical well-being. If the changes were also accompanied by some sort of transition to collectivised or communal agricultural production, the results have been even better and longer lasting. On the other hand, land reform by itself is no panacea, or guarantor of improved food security. Societies are very complicated. So is history. It is imprudent to try to generalise too much about these issues. "Each situation is special" (p 236).

This is a complex argument, with many intricate weaves. Barraclough uses repeti-

tion effectively in making it. The theme is conveyed three times, in three successive sections of the book, each time with more information, detail and insight. Part One looks at food security issues through the lens of different types of agricultural production systems (which helpfully turn out to be geographically discrete as well). There is a chapter each on bi-modal agrarian structures (mainly Latin America), on communal land tenure systems (mostly Africa), on small-cultivator agrarian structures (Asia, mainly the Indian subcontinent), and on China. Part Two has five chapters on national food strategy, such as policies for increasing production, improving distribution, and providing food security for all. Part Three is a consideration of the international dimensions of the problem. Chapter 10 tries to divine how useful is mutual co-operation among the less-developed countries in tackling this problem. Chapter 11 scrutinises the so-called north-south relationships. The final chapter is a distillation of Barraclough's thoughts on some general principles and dilemmas regarding the achievement of food security for all.

III

Any effort to understand the world food situation must start with an appraisal of the physical capacity of the earth to nourish its inhabitants. Is there, and can there be, enough food for all? The book makes it very clear that this is no longer an issue, let alone a key one. There is no physical shortage of food today. Barraclough quotes several studies, including those of such establishment sources as the World Bank, to show that "the world has ample food" (p 2). Even at the height of the last great World Food Crisis in 1972, the "shortfall in production of the five Sahelian countries most affected... was less than 0.5 per cent of world cereal trade, and 0.25 per cent of the grain fed to livestock in the industrialised countries" (p 221). Indeed, and surprising as it may sound to lay people, in the last 20 years the overall world food dilemma has had a component that was related to 'persistent' and 'endemic' food surpluses, in addition to the much better known concern with deficits!

Taken as a single entity, therefore, the planet has little excuse for widespread hunger, particularly in the face of recent communications and transportation advances. But that is not all. For an overwhelmingly large proportion of the sufferers, the surpluses actually exist right in their own vicinity. The largest absolute numbers of severely malnourished people in the world are on the Indian subcontinent, in India and Bangladesh. Both countries have made dramatic advances in food production in the last 20 years (p 93). India particularly has been self-sufficient in foodgrains since the mid-70s, holds food reserve stocks of 20 million tons and more, and is a net cereal exporter. And yet these same two countries account for the lion's share of the 40,000 children of one year of age or less that UNICEF estimates die daily on the planet from causes that are entirely and only hunger-related!

Even if there is enough now, what of the future? Will the growth of human populations eventually outstrip what may be for the present an adequate food supply? Neo-Malthusians stress that unless the problem of population is dealt with "there is not much use in doing anything else... [because it will be] cancelled out by growing hordes of people". Barraclough contends, on the contrary, that "world food supplies could be increased to meet the needs of practically any conceivable growth in population" (p 211). This of course assumes that appropriate structural changes can be made in the industrialised countries too, in addition to the poorer nations. At the moment the industrialised world puts an immeasurably greater strain on resources, including on those for food, than do the developing nations. The *The State of the World, 1991* charges that the "world's one billion meat eaters, car drivers, and throwaway consumers are responsible for the lion's share of the damage humans have caused to common global resources". For example, presently a "Dutch person's consumption of food, fuel, natural fibres, and other products of the soil involves *exploitation of five times as much land outside the country as inside—much of it in the Third World*" (Alan Durning, 'How Much Is Enough?', emphasis added). Estimates of increased carrying capacity are predicated, therefore, on a less wasteful way of life.

Barraclough concedes that population increases hamper the situation nevertheless, and need to be countered. The best way is through "expanding human capabilities and raising the quality of life" through deep and genuine social reforms, in addition to the indubitably needed family planning programmes. "A population programme without popular-based development is like trying to mop up the floor with the water turned on" (p 212). By making it clear that the solution to the problem of hunger does not have to wait upon driving down rates of population growth, Barraclough forces us to grapple with the much more contentious social dimensions of the issue.

IV

If social factors are the principle cause of world hunger, what are they and how do they operate? If conspiracy is rejected as an explanation—and it mostly is, no matter the politics of the commentators—then the task becomes how to identify and wrestle into some order and priority the numerous other forces and decisions that combine to create this situation. This is the point at which many treatments begin to unravel, but Barraclough does not stumble.

The problem may be caused by faulty economic and social policies, including sheer neglect. This certainly has been the case in the past. For instance, less-developed countries often have hurt food production by giving preference to investment in industry over that in agriculture. Or they have kept prices of basic agricultural commodities artificially low to favour their more concentrated and politically volatile city populations. The book contains masterful accounts of national and international policies concerning investment, trade, marketing, the pricing of inputs, exchange rates, population, social services, and aid and international co-operation (part two mainly, Chapters 5 through 9 on the 'Dynamics of National Food Strategies', though happily for us they appear elsewhere throughout the book too). Each treatment is both an excellent primer and a handy reference for important topics.

Barraclough's approach to food and development policy is informed, practical, sober and pithy. It is also refreshingly open-minded and honest. Aspects of political economy permeate the discussion. For example, how would one evaluate policies to create a multi-million dollar investment project in Senegal and Mali for dams and associated infrastructure which "turned out to be uneconomic... [but from which] many foreign contractors and consultants reaped handsome profits" (pp 190-91)? Or how does the west's insistence on free-trade and open-markets jive with its own long history of subsidisation and protection of agriculture (p 74)? What are the consequences for developing countries of the strangling presence of oligopoly in agricultural commodity trade, where "transnational corporations controlled two-thirds of world trade... in the early 1980s" (p 200), or of the "unstable world monetary system", which keeps the third world at a handicap no matter how good their foreign exchange technicians (p 200)? There are additional telling passages on the retrogressive effects on policy of such factors as the 'deliberate' sabotage of public food distribution sys-

tems by the wealthy in Chile (p 66), the capture of the benefits of technological change by large landowners in Bangladesh (p 46), and the uses and misuses of international food aid (more on the last topic later).

If improper policy were all that was at fault, the tragedy would be neither so large nor so persistent. Sooner or later most policy-makers would be redeemed into the correct way of seeing and doing things. Unfortunately, policies are dependent upon, and subject to, the workings of deeper structural forces, substantially related to skewed asset and income distributions. For example, India has more than 70 per cent of its population in the countryside, and half of it is landless. Needless to say, these lives are extremely tenuous. Further, even many of the people who own land are not much better off because it is not adequate in size and quality. The book refers to a survey of 50,000 households in eastern India that found that "nearly half the families in West Bengal and one-third in Orissa did not produce enough food to feed their families for even *one* month in the year" (p 41, emphasis in original). In Latin America, the 'bimodal' distribution divides rural areas into "two clearly distinct strata in respect of the size of farms, their market orientation, and the socio-political position of the cultivators", with "essentially exploitative" links attaching them to each other (p 12). Large cultivators, domestic and foreign, indulge in the "rapacious exploitation of soil, water and forest resources for short-term profits" that end up further marginalising peasants (p 24). On the other hand, where land is more equitably held, the food situation is shown to be markedly better (Chapter 2 on 'Communal Land Tenure Systems'). Unfortunately, with trends moving clearly towards privatisation (p 26), and concentration in landholdings (pp 40 and 73), almost everywhere, the prospects for improvement based upon structural adjustment can only be viewed as grim.

Those who do not own land, or enough of it, depend upon others to provide work. These jobs may be on farms, or in off-farm activities located in the country, or in cities. Here too the future is foreboding. Agricultural modernisation tends to displace hired labour on farms, either through mechanisation, or through its replacement by family members. Where jobs do exist, real wages are often stagnant or falling (p 44). Likewise, the record of rural off-farm employment in the third world has not been very great. Migration to towns and cities is a massively chosen option, but it too falls far short of need. International migration—a key if severely underacknowledged factor in the development of the industrialised countries in their own day—is effectively absent (p 228).

A few countries have managed to break their structural constraints through agrarian reform. This is one of Barraclough's professional specialisations, and Chapter 4 ('The Role of Agrarian Reform') is an excellent survey of land reform in approximately three dozen countries in Latin America, Africa and Asia. Not all were equally successful. Indeed, Barraclough singles out only six as being particularly effective in increasing the food security of the rural poor (China, North and South Korea, Taiwan, Cuba and Nicaragua). The Mexican and Bolivian reforms were effective "for a few decades" only, some of the others for even shorter periods (p 250) Some movements changed the distribution of land only (Mexico, Bolivia), while others tried also to change property relations (mainly China and Cuba). The relative success of all depended upon the seriousness with which they were pursued, and the "national and global processes of which [they were] only a small part" (p 133). The important role of foreign intervention in the 'global processes', particularly that of the United States in Latin America, is recorded on page 115.

Barraclough spares no one in this searching analysis of policy and structure. 'Soft' do-gooders of whatever ideological variant are forced to confront the harsh and disciplining presence of economic laws, including the unavoidable necessity for economic growth. Establishment economists are upbraided and up-ended repeatedly in a series of crisp rebuttals of their favourite shibboleths (e g, the popular doctrine of 'getting prices right' on page 80, and the various development 'dilemmas' on pages 246 through 254). Uncritical proselytisers of the developmental methods of the currently industrialised countries are reminded at every turn of the vast differences between them and the third world, in particular the unique and unreplicable advantages of many of the former. Analysts of more radical persuasion are brought to earth by practical accounts of miserable failures in attempts at food security even after revolutionary struggle and structural change. The short-term mentality, greed, and corruption of the private sector are exposed. So are the ineptitude, sluggishness and corruption of the public sector. National and international bureaucracies are critiqued. Nothing is sacrosanct. (Only academe has been spared; not so much, it seems, because Barraclough is impressed by its worthiness, as because he overlooks it in its unimportance.)

V

Why cannot more be done to stem the hunger on a purely humanitarian basis, even as we sort out its complex roots? We know the places where people are at risk. The food exists, and is often available nearby. We have the means to convey it. What holds back the effort to cut drastically the numbers of hungry people worldwide?

Barraclough offers political and techno-economic reasons. Much of the purpose of food aid has been and continues to be "strictly political" (p 217). This fact is now so well established that it brooks no argument, even from the aid-givers. Probably the most recent example is a speech given

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at the UN on September 21 this year by president Bush in which he categorised his own Agency for International Development as "a weapon in the Cold War". (For partisan and historical balance here is a quote from—then soon to be president—John F Kennedy: "I would like to cut out foreign aid; it is unpopular. But this is a method by which the United States maintains a position of influence and control around the world..." (*New Herald Tribune*, August 10, 1960). Politics therefore plays a crucial role in this catastrophe.

On the economic side, the food aid process is as much driven by 'supply' as by demand. Since it serves the giver at least as much as the receiver, both the composition and the timing of the assistance are far from ideal. The composition is determined substantially by the donor's agricultural needs and results in instructions to him [illegible] official in 1958: "We should [illegible] possible to promote agriculture abroad to avoid encouraging [illegible] that would directly compete [illegible]" (pp 218-19). These goals [illegible] implemented and apparently [illegible] observed. AID's newsletter, *Highlights*, [illegible] in its spring 1992 issue that "[illegible] largest importers of US farm goods [illegible] nations that once received food aid from the United States. In 1990 alone, [illegible] purchased $ 2.6 billion in [illegible] agricultural exports, more than all the assistance received by South Korea during the 30 year period." As for food aid's timing, Barraclough maintains that it is typically "counter cyclical" because it increases sharply in periods of general scarcity and high world prices, when donor countries choose to sell the food elsewhere. This means that food aid [illegible] available when food is [illegible] most needed" (p 216).

The reasons that are given [illegible] by donor countries for [illegible] assistance to match needs are usually more technocratic, and tend to put the onus on the receivers. Often the food does not reach the intended beneficiaries because it is appropriated by more privileged elements, sometimes for their own use, sometimes for profit. When it does get through, the technical aspects of distribution can be mishandled, resulting in depressed domestic prices and reduced production. (Barraclough characteristically notes that these effects are "less a problem of aid... than of world food surpluses being dumped abroad" (p 218). Food aid is also used by recipients "primarily to delay or avoid making necessary domestic reforms" (p 217).

These concerns about food aid are perfectly valid from a technical point of view. But they also serve to underscore the structural constraints that prevent even the best intentioned policy-makers from achieving greater success. It seems that emergency and temporary relief measures are derailed by many of the same forces that create the need for them in the first place.

VI

Property rights are an important aspect [illegible] matters very much who [illegible] the production [illegible] It [illegible] the assets [illegible] example, in our own time, [illegible] resources tend to be owned [illegible] and deployed for personal profit and unlimited individual accumulation. The rural and agricultural sector conforms to this arrangement in the majorities of places, though the commercialisation of food is clearly much more developed in the industrialised countries.

Making food a commodity like any other has some anticipated consequences, both positive and negative. On the production side, a very big plus is the increased productivity and output of the sort associated with the green revolution. However, these gains come at the cost of an [illegible] intensive and wasteful use of farm [illegible] especially scarce energy and water [illegible] and [illegible] of production [illegible] employment, destroys the [illegible] and endangers [illegible] concerned [illegible] These outcomes [illegible] observed on both industrialised [illegible] world countries. On the consumption side, the transformation [illegible] usually conveys that [illegible] social link between [illegible] need and its fulfilment into a commercial one. One result has been that even the richest countries have never fully solved the problem of hunger; indeed, it is once again a serious and growing menace in many parts of the west. In the poor nations, this set of arrangement helps to keep in place the ironic situation questioned by Pierre Spitz, another UNRISD researcher, in the *International Social Science Journal* in 1978: "How is it that the men and women who sowed the seeds, harvested the crops and minded the herds have perished for lack of food? How is it that they died of hunger in those parts of the world, whereas most of the people who do not produce foodstuffs were spared?"

The book's major shortcoming is that it does not deal explicitly with such systemic influences, even though it touches upon them throughout. Indeed, Barraclough goes to the other extreme and eschews questions of private versus public property, market forces versus central planning, and capitalism versus socialism as "grossly misleading simplifications" (p 9), relegating them to the status of "pseudo-dilemmas" (pp 255-59). Here he does the wrong thing for the right reason. It is true, as he says, that most societies are a mixture of private and public, of markets and planning, and that, as far as food security is concerned, differing combinations of all these attributes have been present in successful and unsuccessful countries. It is also true that there are very few, if any, clear variants of one or the other social system or mode of production (essentially capitalism and socialism in our day and age). And there is no doubt either that many debates formulated in these terms tend to be trite and dogmatic. But none of this is reason to warrant dismissing the distinctions themselves as spurious. If practice is complex and not so easily categorisable, our ways of thinking about it imperfect and wanting, and some of the people involved narrow-minded and obstinate, then the redress is to recognise these failings and remedy them, and not peremptorily to declare them inconsequential or invalid. Capitalist societies that are heavy on public planning turn out to be quite different to socialist ones that involve markets, even though both plans and markets are present in both. It matters very much what is the base and what the enlargement.

It is clear from Barraclough's treatment of the topic that the answer to the question posed in his title is a resounding no, at least for the indefinite future. It is a pity that he does not state as much clearly and unequivocally somewhere in the book. We desperately need voices of his calibre and standing to constantly point out the acute and deteriorating nature of the international food problem. Too many others are either paying no attention at all, or suggesting by omission that it will be adequately resolved, in a not too untoward length of time, by staying the course that we have currently set. This expectation is incontrovertibly wrong. Judging from this superior book, Barraclough seems to believe so. It would have been ideal to hear it in his own words.

This is a very deep, very informative, and very reflective statement by a person of enormous experience, sagacity, compassion and honesty, on arguably the most important human topic of our day. Professional and lay person will benefit enormously from a consideration of its contents. We cannot go on as usual in this area. Barraclough's analyses must be a critical element in how we decide to move in the future.

India's Rouble Debt and Depreciating Rouble

Nirmal Kumar Chandra

This paper assesses the India-Russia agreement on the size and modalities of repayment of India's rouble debt from two different angles. The first consists of examining the distribution of the gains of India's trade with the former Soviet Union. The focus is on the unit values of the commodities exchanged, particularly our arms imports financed through Soviet credits. The other aspect concerns the nature of the rouble as a currency up to 1989 and after, on which score there appears to be very widespread misconception

SINCE mid-1990 India is living under the shadow of a large external debt in hard currency that has transformed the economic scenario beyond recognition. Our debt to the erstwhile USSR was initially tucked away from the public view; negotiations about the size and modalities of repayment were, however, going on between India and the USSR, and later Russia as the successor state, over a number of years. When the agreement was finally reached in January 1993, the general view in India was that our government had conceded everything. The critics were perplexed by the Indian government accepting the Russian position that 9.9 billion roubles (bn rb) of debt be converted into hard currency, not at the Moscow auction rate of 488 rb/$ as of January last, but at the 'old' 'unchanging' Soviet official rate of 0.78 rb/$ at end-1989. Outside the government, only a handful defended the agreement.

The object of the paper is to assess the controversy against a broader canvas. Between any two inconvertible currencies like the rouble and the rupee, it is extremely difficult to establish a mutually satisfactory rate except through the intermediation of some hard currency, say the US dollar. So long as the par values of the first two in terms of the dollar remain stable, it is relatively easy to continue with some initially agreed exchange rate. Difficult problems arise when the par value of one or both the currencies changes in a marked fashion. Indeed, such was the case with the rupee devaluing rapidly since the mid-1980s, and the far more dramatic depreciation of the rouble (as evidenced by the Moscow auction rate) since 1989.

Here I approach the issue from two different angles. The first consists of examining the distribution of gains in Indo-Soviet trade. The focus is on the unit-values of the commodities exchanged, particularly of our arms imports financed through Soviet credits. The other aspect concerns the nature of the rouble as a currency up to 1989 and after; unfortunately, there is very widespread misconception on this score.

The paper begins by spelling out the key terms of the January 1993 agreement between India and Russia. In the following section the analytical approach of this paper is elaborated. Section III is on the valuation of Soviet arms exports. The theme of Section IV is the nature of the rouble as a currency till 1989. Next, some of the recent studies on the purchasing power parity of the rouble is summarised. Post-1989 changes in the scenario for the rouble are described in Section VI, followed by conclusions on the Indo-Russian agreement.

I
The Agreement

According to the *Economic Survey 1992-93* (p 119), "India's debt to the erstwhile USSR stood at about 9.871 billion roubles at the end of March 1992–8.899 billion roubles incurred for defence imports and the rest for civilian imports. As per the recently concluded negotiation, this debt, to be denominated henceforth in rupees, has been valued at Rs 31,342 crore. Of this, Rs 19,660 crore is to be repaid as per the existing schedule. The remaining Rs 11,682 crore will bear no interest and is to be repaid over the next 45 years. The negotiations have resulted in a net reduction in the debt owed to the former Soviet Union according to the 1978 Protocol, by about 32 per cent."

The Economic Times (January 30, 1993) reported: (a) The same volume of rouble-denominated debt was valued at Rs 19.90/rb on December 31,1989 leading to a rupee figure of Rs 19,660 crore, and at Rs 31.78/rb on March 31, 1992, enhancing the total to Rs 31,342 crore. (b) Rs 19,660 crore will be repaid in 12 years, carrying an annual interest of 2.4 per cent on the outstanding amounts, but the rupee magnitudes of debt servicing will be redesignated in units of SDR (Special Drawing Rights). (c) The balance of Rs 11,682 crore will be repaid without interest in 45 years, i e, Rs 260 crore per year. For the first five years the repayment will be in rupees irrespective of the exchange rate. Subsequently, the sum of Rs 260 crore will be redesignated in SDR units, if the Rs/SDR rate rises by more than 3 per cent per annum. Considering the Rs/$ rates (the weighted average of official and market rates) published in the *Annual Reports* of the Reserve Bank of India, it is evident that India implicitly acquiesced in a $/rb rate of 1.28 on December 31, 1989 and a more favourable 1.09 on March 31, 1992, the weighted average being 1.21.

One must now look at the 1978 protocol, the main features of which were summarised in the *Reserve Bank of India Bulletin*, February 1979 (pp 100-01). (a) The two governments changed the 'commercial' exchange rate to Rs 10/rb from November 25, 1978, against the earlier Rs 8.33/rb. Further, "the rupee-rouble rate is subject to revision from time to time". (b) In "contracts where the period of implementation is one year or less, no rouble-rupee or any other exchange variation/protection clause shall be provided and the prices shall be expressed only in Indian rupees." (c) "When the period of implementation of a contract is more than one year and where the contract price is designated in Indian rupees and also related to the exchange rate between the rouble and the rupee, the exchange variation is to be provided. Accordingly, if on the date of payment under the contract, the exchange rate between the rouble and the rupee is different from the exchange rate obtaining on the date of conclusion of the contract, the quantum of payment to be made shall be adjusted in proportion to the exchange rate between the rouble and the rupee." (d) "The two governments have also agreed that the new rouble-rupee exchange rate shall not apply to non-commercial transactions between the two countries."

In the 1978 protocol, India agreed to a rate of Rs 10/rb, when a US dollar was equivalent to Rs 8.23; implicitly she accepted a $/rb rate of 1.22. Around that time the official Soviet exchange rate for

commercial (foreign trade) transactions averaged $1.46/rb in 1978 or $1.53/rb in 1979, implying a cross rate of Rs 12.02-12.50/rb [ITS 1988]. Thus in the 1978 agreement the Soviets apparently made a significant concession to the tune of about 20 per cent on the Rs/rb exchange rate; as shown later in Section VI, this is not a correct inference.

Coming to the latest agreement, the Indian government has claimed that the *initial* amortisation payment (in Rs crore) which should have been 3,364 (=31342/12+31342*0.024) in terms of the earlier protocol, has been reduced by nearly 30 per cent to 2,370 (=19660/12+19660*0.024+11682/45) (*The Economic Times*, January 30, 1993). This is entirely due to the longer maturity of the rescheduled part of the loan. To get an idea of the 'real' reduction, it is more appropriate to compare the net present value (NPV) of the payment obligations over the entire stretch of 45 years. The NPV, it is well known, is highly sensitive to the choice of the discount rate. The new agreement provides for a 2.4 per cent interest rate for the non-rescheduled part of the loan, which may be taken as the lower bound of the discount rate; one finds from the World Bank estimates that the average interest rate on India's external debt increased from 5.3 per cent in 1988-89 to 5.8 per cent in 1990-91 [RBI 1992: 49, 52] and hence another discount rate of 5 per cent from the Indian perspective may be reckoned with. At the lower discount rate, the NPV in rupees crore is reduced from 31,342 to 26,756 or by 14.6 per cent, while at the higher rate the corresponding reduction is from 27,081 to 21,602 or by 20.2 per cent. The claim in the *Economic Survey 1992-93* that the debt has been reduced by 32 per cent is exaggerated. At this stage a caveat is in order. The calculations just presented assume an unchanged Rs/SDR parity as on March 31, 1992. Apart from the small sum of Rs 260 crore payable annually over the first five years, the rest of the debt service obligations should go up *pari passu* with the devaluation of the rupee.

In parentheses one must point to the misleading nature of the tables on external debt in the *Economic Survey 1992-93* (p 118, S-107), as these excluded the rouble debt as well as another $2.18 bn owed in hard currency for defence purchases. Reckoned at the weighted average of the official (40 per cent) and market (60 per cent) rates of Rs 29.09/$ on March 31, 1992, the former amounted to $10.77 bn. Thus India's total debt (excluding those with a maturity under six months) at end-September 1992 was not $71.1 bn as reported, but 18 per cent higher at $84.1 bn. Adding to it an incremental debt of at least $2.0 bn during the latter half of 1992-93, the year-end figure should be around $86 billion or Rs 266,755 crore at the exchange rate of Rs 31.00/$. If one accepts the size of 1992-93 GDP forecast by the government, the debt-GDP ratio should exceed 40 per cent on March 31, 1993 as against 27.3 per cent shown in the same document for 1991-92. India is likely to graduate within a year or two from the 'moderately indebted' to the more exalted 'severely indebted' status under the World Bank classification! But that is another story that need not detain us here.

II
The Approach

As I intend to use the analytical framework of an earlier study [Chandra 1977] on Soviet trade with the main third world partners, the earlier approach and conclusions may be recapitulated. (a) Looking at the latter's opportunity costs of exporting to, and importing from, the USSR, I accepted other scholars' findings that *the third world countries gained* on the price front some 5-10 per cent as against what they paid to or received in hard currency from the west. (b) In the early 1970s *the Soviets gained much more*. While they charged reasonably for their export of primary commodities, including fuel, and certain manufactures, they overpriced the machinery supplied. Comparison of the units values of Soviet machinery exports to three sets of countries, namely, the west, other CMEA (Council of Mutual Economic Assistance) countries and the third world, all based on official Soviet statistics, showed that the last two sets paid roughly similar prices, exceeding those realised from the west by anywhere between 36 and 68 per cent during the years 1971-74. (c) "Had the third world countries been able to obtain their imports from the USSR at prices no higher than what the latter has been realising from the western countries, the question of an appropriate rate of exchange between the rouble and the rupee or other third world currencies would have been of purely academic interest" (pp 119-20). (d) In a sense, the USSR "maintains an artificially high value of the rouble, not in relation to trade in hard currencies, but as against inconvertible third world currencies. This becomes particularly burdensome at times of aid repayments if in the meanwhile, the latter undergo devaluation under external pressure " (p 122). I cited a number of western, Soviet and east European studies, taking into account Soviet domestic and foreign trade prices; these showed that the Soviet official exchange rate of 0.9 rb/$ was not out of alignment with the purchasing power parities (PPP). Now Kravis (1976) found that *vis-a-vis* the dollar, the PPP of the Indian rupee in 1970 was 255 per cent higher than its nominal value. It followed that the PPP-based rupee-rouble rate should have been fixed at a far lower level than was agreed between the two governments. (e) My overall conclusion was that there was *an unequal distribution of gains in the trade* between the USSR and the third world in favour of the former. The practical alternative, I felt, was for the latter to "try and bring down the import prices of Soviet machinery". [Chandra 1977:111].

The keystone of the argument was the overpricing (*vis-a-vis* their world market prices) of Soviet machinery. In a subsequent 1983 study by Marrese and Vanous (cited in Dietz 1986), the percentage overvaluation in Soviet machinery export to the CMEA was put even higher at 108-143 per cent during 1970-78, on the premise that "the quality of manufactures traded between CMEA countries is lower than on the world market by 25-60 per cent". These higher estimates have, however, been questioned by several scholars, including Dietz (1986). Further, my point of reference was very different from that of Marrese and Vanous; it is unlikely that the USSR supplied machinery of different qualities—one for export to the west, and another for the domestic, CMEA or third world markets.

My hypothesis seems to have been vindicated by the actual course of development. By the late 1970s, India's import of Soviet machinery dropped to a trickle, very few new projects in the civilian sectors were undertaken with Soviet technology, and the technological gap of the USSR *vis-a-vis* the west came to be widely discussed within and outside the USSR. A few years ago in the wake of our rising surplus in rouble trade, the Indian government sent private sector delegations to the USSR in search of machinery, but they all came back empty-handed. However, civilian items account for under 10 per cent of our present rouble debt; military supplies formed the bulk of non-standard Soviet exports and of the outstanding credit to India. Hence the crucial question is to ascertain whether or not Soviet weapons were reasonably priced. This is the theme of the following section. I assume, as before, that all other trade transactions between India and the USSR took place at transparent world market prices, leaving little scope for an unequal distribution of gains.

III
Soviet Arms Exports

The annual studies by the SIPRI (Stockholm International Peace Research Institute) since the late 1960s have gained

wide recognition as objective, though other agencies and scholars do not necessarily endorse the findings. Indeed, some of the latter are discussed in different year-books of the SIPRI. Although I was unable to consult the sources, notably the estimates of the US Arms Control and Disarmament Agency, it may not be a major shortcoming in the present context.

The SIPRI data on arms trade comprises trade in 'major' weapons to the exclusion of small arms; the former also cover imported raw materials, components, etc, needed for the local production of major weapons (e g, the MIG fighters in India) under licence from another country. The method of valuation is, however, quite unusual and often causes confusion among unwary readers. Unlike official trade data reflecting actual prices paid or obtained, the SIPRI's object is to measure "the trend over time both in the quantity and quality of arms traded". As a result, the SIPRI consciously departed from actual delivery prices, and devised its own method of evaluation [SIPRI 1990:310].

Back in 1968 a long list of weapons was drawn up along with the actual US dollar prices, wherever possible. Next, the actual prices were adjusted for 'weight, speed and role' of every category of weapons in order to establish a sort of 'uniform' 1968 price for each. The technical characteristics of each weapons system were assessed by experts from different wings of the Swedish armed forces. The SIPRI later shifted the constant base year price to 1973 and then to 1975, by allowing for an increase in costs measured by the 'wholesale price index'; in arriving at the overall inflation rate, the weights assigned were 60 per cent for the US index, and 20 per cent each for France and the UK, the two other major western suppliers [SIPRI 1983:354-55]. There were minor changes in the method over the next 10 years.

Before shifting the base from 1985 to 1990, a thorough revaluation of 4,500 weapons systems was undertaken in 1987. A general mark-up for 1990 costs was based on the US department of defence deflators over the years, 1985-90. The overall inflation rate during the quinquennium came to 19.1 per cent that took into account: (a) the producers' price index for machinery in the western countries that were among the largest exporters of arms; and (b) the changing exchange rates between these currencies [SIPRI 1992:354-56].

For Soviet weapons, the SIPRI establishes their technical equivalence in terms of western weapons and applies the western prices. As a result, the SIPRI valuation in US dollars of Soviet exports "tend to be higher than their quoted prices". By 'quoted prices' is meant the rouble prices converted into dollars at the Soviet official rate of exchange.

At constant 1985 dollars, as shown in Table 1, the SIPRI estimated the Soviet exports during 1986-90 to all countries at $60.8 bn; since there was a 19.1 per cent inflation, the value at constant 1990 dollars comes to $72.4 bn. This may be compared to the Soviet official statement, perhaps for the first time, in early January 1991 that the USSR had exported to all countries during the 'past five years' (presumably, 1986-90), arms worth 56.7 bn rb, including a gift of 8.5 bn rb (E S Belousov, deputy chairman, USSR council of ministers, cited in SIPRI 1991, p 212). As there is little evidence of inflation in the prices of Soviet weapons, the aggregate value of export should have been the same at the current 1990 prices. Combining the Soviet and SIPRI figures, one arrives at the 'SIPRI exchange rate' of $1.28/rb for arms export. For Soviet exports to India, I have the SIPRI estimate for 1986-90, but none from the Soviet side; the figure of 8,899 mn rb refers to the outstanding credit, but not to the arms flow which may have been larger. Hence I shall presume that the same SIPRI rate of $1.28/rb applies to India as well, which equals the rate recently agreed between India and Russia for end-1989.

How reliable are the SIPRI values in dollars or the Soviet rouble figures? Indeed, for Soviet military expenditure as a whole, there has long been a vast discrepancy between the budget figures and western estimates. In 1989 Gorbachev himself disclosed the 'true' figure of 77 bn rb against 20.9 bn rb earlier reported in the Soviet budget, the SIPRI's *ex ante* (in December 1988) estimate for 1989 was 88-96 bn rb, which was enhanced *ex post* to 100-105 bn rb or $ 263-276 bn at the SIPRI's 'military PPP' of $ 2.5/rb; western intelligence sources put the Soviet outlays even higher at 120 bn rb. The SIPRI was, however, critical of the inflated dollar estimates of Soviet defence outlays by the Central Intelligence Agency (CIA), as the latter "considers the dollar cost of replicating the Soviet armed forces in US, i e, equivalent US wage costs. This would also raise the defence burden [i e, defence outlays as a ratio of the GNP] for France and Germany" [SIPRI 1990:162-64; SIPRI 1991:145]. On the other hand, it has been argued by Steinberg (1992) that the CIA underestimated the rouble costs of the defence sector insofar as "there exists secret wage subsidies in defence industry, not included in the official defence expenditure".

Notwithstanding the controversy on the rouble costs of the overall Soviet outlays on defence, none of the contending scholars or agencies, to my knowledge, have suggested that there was an upward or downward bias in the official (rouble) valuation of arms exported. It is possible that the CIA or the NATO or the individual scholars never addressed themselves to this question. One cannot rule out altogether the possibility that the Soviet authorities may have underpriced their weapons in roubles either because they blindly followed the norms for domestic costing or because they wanted to expand their market share. On the other hand, since many of the buyers were 'captive' clients the Soviets might have got away with a premium over costs.

If the Soviets had, indeed, underpriced their arms supplies in terms of roubles one can in the present context ignore it as long as the Russians do not ask for an upward revision in the rouble value of the debt. What needs to be investigated is whether the USSR had overcharged, affecting the SIPRI valuation of Soviet arms export. Actually, the SIPRI estimates of Soviet arms export to the third world are significantly lower than the CIA's. For the overlapping years for which the two sets of figures are available (Table 1), the latter exceeds the former by 120 per cent in 1984, 48 per cent in 1986, and 120 per cent in 1988; the fact that the CIA esti

TABLE 1: ARMS TRADE OF THE USSR AND INDIA, 1984-91

($ million,

	1984	1985	1986	1987	1988	1989	1990	1991
India's import								
Total[a]	3940	1876	3729	4582	3382	3754	1541	-
Total[b]	-	-	-	5475	4009	4461	1607	2009
USSR's export								
Total[a]	10118	12945	14731	14916	12559	12200	6373	-
Total[b]	-	-	-	17745	15115	14887	9663	3930
Third World[a]	7423	8634	10440	10936	8658	8862	4273	-
Third Wirld[b]	-	-	-	13420	10761	10869	6845	3516
CIA: USSR export[c] Third world	16300	-	15500	-	19100	-	-	-

a Constant 1985; b Constant 1990 prices; c Current prices.

Source: SIPRI, various issues.

nates are in current dollars, while those of he SIPRI are at constant 1985 dollars, vould call for only a small correction of hese percentages The SIPRI believes hat the CIA estimates are biased upwards, ind that its $/rb exchange rate is inappro-)riate [SIPRI 1991:186-87]. It thus fol-ows that the SIPRI's dollar figures on Soviet arms export to the third world are iot artificially high.

In recent years the SIPRI has provided comparative cost figures for particular weapons. (a) At a joint press conference n June 1989 with the US Admiral W J Crowe, the Soviet General Moiseyev claimed that their freight aircraft SU-25 costs only 5-8 mn rb against $ 28 mn for an F-16. At the SIPRI 'military PPP' rate of $ 2.5/rb, the former works out to a little over 50 per cent of the latter. The SIPRI attributed the huge difference to goldplating' (incorporating inessential but high-cost features in F-16), corruption, cost-plus pricing; and excessive profit rates prevalent in the US defence industry. Alternatively, the Soviet fighter might have been underpriced [SIPRI 1990: 165]. b) It was gathered from the Polish defence ministry that: (i) the Soviet fighter aircraft MIG-29 cost $ 18-25 mn each as against $ 21-25 mn for an F-16, and $ 26-30 mn for the French Mirage 2000; (ii) the Soviet tank T-72 cost $ 0.4 mn against $ 2.6 mn for the German Leopard-2, and $ 3.7 mn for the American Abrams; (iii) the Czech armoured vehicle BWP-2 cost $ 0.5 mn against $1.2 mn for the American M-2 Bradley. (c) An American study showed that as against a 1975 cost of $ 15 mn for an F-16, a MIG-23 produced in the US would have cost no more than $ 5 mn. (d) The SIPRI surmised that the Soviets may not have covered cost for many weapons; a study by the RAND Corporation, USA, supported this conjecture for naval ships and helicopters, but not for tanks and tactical aircraft [SIPRI 1992:209-12].

The preceding discussion may be summarised as follows:

1 On the dollar valuation of Soviet arms exports to the third world, the estimates by the SIPRI are the lowest among the western agencies, and also the least unreliable.
2 For 1986-90, the SIPRI estimated the parity rate for Soviet arms export to all countries at $ 1.28/rb, which is close to the implicit $/rb rate under the 1993 Indo-Russian agreement.
3 The actual prices for individual weapons quoted by the Soviets for their exports were often lower than the 'uniform' or notional prices of the SIPRI.
4 On the whole, there is no evidence of Russians having overcharged for their arms supplies to India.

IV

Rouble till 1989

The Soviet rouble (along with the currencies of other centrally planned economies) is quite unlike others, convertible or inconvertible. It is best brought out by contrasting the rouble as it was till 1989, and our rupee. Both were primarily used as legal tender for transactions within the country; legally, neither currency could be taken out of, or brought into, the country; the exchange rate *vis-a-vis* the dollar (or other hard currencies) was fixed by the respective government; an ordinary citizen going abroad was allowed to buy only a small quantity of dollars; capital transfers were banned. There was also a black market in currency in both countries; about the Soviet black market more will be said later. Here the similarities end.

Till 1990, the USSR had a highly centralised planning system. All domestic prices (barring those on the kolkhoz market) were set arbitrarily by the government, and insulated from domestic supply-demand imbalances or world prices thanks to the complete state monopoly of foreign trade. The foreign trade agencies bought exportables from domestic firms at local prices, and also sold imported wares at domestic prices; individual enterprises had hardly any incentive to export or save on import, but were encouraged to fulfil, if not exceed, the output and delivery targets as laid down in the plan. Thus the external value of the rouble had no impact on the bonuses offered to the enterprise personnel; nor did it affect the planning of foreign trade by central organs. By contrast, although India maintained a system of elaborate controls by the state over foreign trade, the actual decision to import or export remained with individual firms, public or private, that were profit-oriented. Prices in India were only partially protected against trends in international markets. Variations in the exchange rate of the rupee may or may not have affected the aggregate levels of export (import), but these certainly had a major impact on the profit rates earned by exporters (importers) unless there was a countervailing tax on export (import) In other words, India was much more of a market than a centrally planned economy, and the exchange rate of the rupee played a very significant role in many sectors.

A couple of examples may bring the differences between the rupee and the rouble into sharper focus. Since Indian shrimps found an export outlet since the 1970s, domestic prices shot up; a similar development in the USSR would mean just longer queues for the consumers without a rise in price. In tea, although the government has kept the export volume under control, domestic prices flared up in sympathy with movements in international prices in the late 1980s. On many occasions, the Indian government imported large quantities of wheat as a means to stabilise domestic prices of wheat and other cereals. No parallels could be found in the USSR, as the state maintained fixed prices for most goods and services over the decades. Large-scale import of wheat into the USSR since 1972 was designed to supplement the domestic availability of milk, meat, etc. Lastly, smuggling into India augmented the annual domestic supply of a number of goods like gold, synthetic textiles, consumer electronics, etc, which directly or indirectly affected local prices; but smuggling of goods into or out of the USSR was rather insignificant till the last couple of years.

In 1961 Khrushchev introduced the 'new' rouble with a notional gold content of 0.987 gramme; since the US had pegged the gold price at $ 35 per ounce, offering to sell any amount of gold at that price, the exchange value of the rouble was fixed at $ 1.11 by the Soviets. Once the dollar lost its gold moorings in late 1971, the Soviet government announced from time to time the exchange rate between the rouble and the dollar or other hard currencies, although the $/rb rate generally moved in sympathy with the dollar value of one SDR, the rouble was not tied either to the SDR or to the fluctuating price of gold in the international market. In practice, the official conversion rate for Soviet trade flows in $/rb varied from 1.11 in 1970, to 1.33 in 1975, 1.52 in 1980, 1.30 in 1985, 1.63 in 1988 and 1.58 in 1989 [ITS 1988; UNESCO 1991].

Given the sharp differences between the domestic and foreign prices, the unique rate of exchange hardly helped the central planners to maximise the benefits from foreign trade. In Poland the exchange rate of the zloty was fixed just as arbitrarily as the Soviet rouble at 25 zl/$ in the late 1950s. The Polish central planners, notably M Kalecki (and his team) working on the Perspective Plan, 1960-75, employed 'efficiency' norms for foreign trade differentiated by branches; it was observed that in order to earn one dollar through export, the domestic outlays (net of subsidies and taxes) ranged from 30 zl for machinery to as much as 80-90 zl for food products [Chandra 1967]. More elaborate calculation of such branchwise norms or conversion coefficients between 'internal' and 'foreign exchange' (dewizowy) zlotys followed. There is a strong family resemblance between these conversion coefficients, and the western economists' 'domestic resource costs' (DRC) or its earlier version, 'effective rate of protec-

tion' (ERP). It seems that the ERP was first operationalised around 1963 [Bhagwati and Desai 1970: 336], or several years after Kalecki and his team. The differences between the Polish norms and the western ERP are substantial. The latter aimed at removing the distortionary effects of differential tariffs and quantitative restrictions on the import of various goods, in order to measure the efficiency of domestic manufacturing *vis-a-vis* international producers; in DRC the calculation is similar except that the imperfections of the domestic market for non-traded goods and services (including labour and capital costs) are eliminated by utilising 'shadow' prices for the latter. In centrally planned economies there was no need for import tariffs or quantitative restrictions; if one assumes that the domestic price structure reflects the planners' preference, which may not always be true, then the conversion coefficient is close to the DRC for an industry.

The Soviet planners took up the Polish-type exercise with a considerable time lag. Their practical usefulness was severely circumscribed by the rigidities of a command economy; hardly less important was the systematic political discrimination by the NATO powers against import of manufactures from the eastern bloc which was keen to export much larger quantities of these goods for a variety of reasons. (i) The domestic costs being low, the suppliers were willing to sell the products (from machines to cars, textiles, etc), even at a discount against the prevailing western prices. (ii) Fair competition in the world market would have enabled the exporters to improve upon their quality, thereby reducing the technology gap. The west in its turn, was determined to prevent the last on military, political as well as economic grounds. Had the global market been anywhere as free as liberal theology makes one believe, there was a distinct possibility that the eastern bloc could emerge as a much stronger manufacturing power, challenging the domination of the west. Furthermore, since the USSR et al were compelled to restrict themselves to primary commodities in their export to the west, the former were competing in effect with the third world in western markets, strengthening the forces leading to a secular decline in the global terms of trade between primary commodities and manufactures.

In the wake of the perestroika a post-1968 Hungarian-type reform was attempted from 1987, and individual firms were encouraged to export on their own, utilising the conversion coefficients between the 'internal rouble' (IR) and the 'foreign exchange' ('valyutnaya') rouble (VR) established by the central authorities. Exporters could retain a part of the VR in order to meet their import requirements; but the ratio varied according to the nature and/or purpose of the import. Thus, against an earning of one VR, a tractor exporter could import western equipment worth 0.46 VR, while an exporter of tourist automobiles could import goods worth as much as 1.92 VR. Up to 4,000 such conversion co-efficients were in vogue between 1987 and 1989, ranging widely from 0.2 to 6.6 IR per VR; actually, the ratios of domestic wholesale to international prices were even wider from 0.03 to 50.0 IR/VR for different products of the mechanical engineering industry in 1988. The post-1987 conversion coefficients were also changed frequently, up to three times a year, causing a great deal of confusion all round. The new system made little headway, contributing only about 10 per cent of total export at the end of 1989. Moreover, the existing system was causing a drain on the state budget; an earlier 1985 study by the Gosplan covering the whole of foreign trade estimated the overall IR/VR ratio at 1.4 [Ricoeur 1991: 53]. In 1988 it was found that although the USSR had trade surplus of 2.1 bn VR, the centralised trade agencies incurred a staggering deficit of 50 bn IR [Lushin 1991: 7].

Hence the government decided in 1989 to move over to a more manageable system in the near term. While the official rate remained unchanged at 0.62 rb/$, a 'commercial' rate with 100 per cent premium, i e, 1.24 rb/$ would be established, the effective rb/$ rates, however, would be 0.6 for raw materials and basic goods, and 3.0 manufactures. Two other decisions were implemented immediately. (i) A 'non-commercial' rate for foreign tourists and residents was introduced for the first time at 6.26 rb/$. (ii) The Moscow Interbank Currency Exchange was set up to hold regular auctions at which dollars were to be bought and sold against IR. In the western media, the introduction of the commercial rate was interpreted as 50 per cent devaluation, the tourist rate as 90 per cent devaluation, and so on. Few noted that for raw materials, etc, there was no 'devaluation' at all. What really happened was that a system of multiple exchange rates was formalised, more freedom to dispose of dollars was given to exporting firms, and foreign tourists got an attractive conversion rate to wean them away from the black market. Further, the auctions were in no way free; these "are only open to certain enterprises, and hence the price of hard currency is indirectly restricted by administrative fiat and would hardly be allowed to rise too high. It is, therefore, a small and distorted market" [Aslund 1991 a: 19]. At the first auction in November 1989, the actual rate was 9.57 rb/$, though the Auction Committee data showed that many firms were prepared to pay up to 17.0 rb/$; the volume transacted was a mere $ 0.88 mn [Ricoeur 1991: 54].

For many decades now there is a parallel or black market in dollars. Back in 1970, this rate was reported at 5.92 rb/$ [Kidron 1972: 31], or almost 6.5 times the official rate. I myself observed in mid-1981 that in Moscow it was still around 6 rb, whereas in Warsaw one could sell a dollar for 300 zl, and buy a rouble for 20 zl, yielding a cross rate of 15 rb/$. In general, scholars do not consider this rate as a meaningful exchange rate for evaluating the Soviet trade flows or national income or consumption, etc. As Nove (1986, p 288) put it succinctly, such dollars were bought by Soviet citizens either to acquire foreign consumer goods like whisky, jeans, consumer electronics, etc, available only at special hard currency shops, or to supplement the meagre amounts released by the Gosbank for those travelling abroad. One may add that the black market supply of dollars came mainly from foreign residents with a dollar income (e g, embassy officials, students or scholars receiving allowances in hard currency), or from foreign tourists who might change a few dollars to buy food from the kolkhoz market or restaurants. Given the extremely small number of foreigners and their equally limited need for roubles, there was an excess demand for dollars leading to its high price. Aslund (1991, p 184) came to the same conclusion; he also noted that the black market rate stood still for a long time at 5 rb. After perestroika, there was a greater influx of foreigners, but the excess liquidity with Soviet citizens rose much faster. As a result, the rate shot up to 10 rb in 1989 before the currency auctions started [Ricoeur 1991: 57].

V

Purchasing Power Parities till 1989

How much is a rouble 'really' worth in terms of dollars? There is no unique answer. As the Soviets since the 1920s were keen to catch up with the west, there is by now a vast literature comparing the levels of output, consumption, military expenditure, etc, in the USSR with those in the west, particularly the US. Generally, but not always, the official Soviet estimates at current prices are considered reliable. But scholars differ widely on how to translate rouble prices into dollars, taking into account the quality, availability and so on. Here I shall confine myself to several post-1980 studies.

Undoubtedly the most elaborate effort so far is that of the American CIA. To this end it collected a large volume of sample data in 1982, and many Soviet products ranging from packaged foods to all kinds of manufactures, including consumer durables, were specially flown into the US for an on-the-spot examination by American experts. The CIA found that in 1989, at rouble prices (US quantity weights) the Soviet GNP came to 39 per cent of the US level, while at dollar prices (Soviet quantity weights) the figure was 66 per cent; the PPP from the GNP comparison, i e, the geometric mean between the two PPPs using respectively the American and the Soviet quantity weights, came to 0.24 rouble per dollar (cited in Rosefielde 1991). For those who believed that the Soviets always falsified their data, the outcome was disappointing. Indeed, the Central Statistical Administration (TsSU) had estimated, presumably at dollar prices, the Soviet net material product at 67 per cent of the US's, both in 1980 and 1983 [Narkhoz 1983: 58].

On per capita personal consumption, the CIA estimated the 1976 Soviet level at 34.4 per cent of the US magnitude, and the PPP came to 0.60 rouble for dollar. Birman, a noted Soviet economist who emigrated to the US in the Brezhnev era, was quite unhappy, his main complaint being that the CIA took inadequate account of the very poor quality of Soviet goods. Birman's estimates of Soviet consumption ranged from 22.4 per cent to 28.4 per cent of the American figure, the implicit PPP for the dollar being in the range, 0.73-0.92 rb [Birman 1989: 26-27, 155, 174]. The widely respected Harvard scholar, Bergson (1991, p 31), whose earlier work provided the benchmark for the CIA estimates of Soviet national income since the 70s, conceded that the 1976 PPP rate of the CIA did not "allow fully for proverbial qualitative deficiencies in Soviet products". Yet he made no more than a 10 per cent upward adjustment in the rate, based on a subsequent, but unpublished, study by a CIA economist. The modified Soviet index of per capita consumption (with US=100) was 31 for 1976, and came down to 29 in 1985. Bergson also referred to the estimate given in a report by international agencies [IMF et al 1990: 51] that in 1989 the Soviet per capita GNP amounted to $ 1,780, or a mere 8.5 per cent of the US level. "Apparently, this astonishing figure was derived by a foreign exchange rate conversion at a rate reflecting a fresh two-thirds devaluation, which testifies more to the vagaries of such a calculation for an inconvertible currency country than to the level of output itself. The cited study makes no claim for its GDP figure from the latter standpoint" [Bergson 1991].

Rosefielde (1991) has examined several other estimates presented by Soviet scholars at a well-publicised Washington conference in April, 1990. (a) Allowing for quality adjustment and hidden inflation (owing to prices being often raised significantly for trivial improvements in quality or qualities being lowered without a fall in price) in the USSR, M Shukhgal'ter put the PPP value of dollar in respect of 'all fixed capital assets' at 1.0-1.2 rb. (b) Another scholar, L Novchekina, put the 'adjusted PPP' for 'capital investment' at 0.45-0.70 rb per dollar. Considering further expert judgment on quality, and forced substitution (due to non-availability of the desired good), she raised the same PPP for dollar to 0.89-1.38 rb.

From all this I conclude that: (a) The PPP rates vary greatly as between different baskets of goods and services, e g, GNP, consumption, investment, capital stock, etc. No single PPP rate irrespective of the basket can be obtained. (b) The rates estimated by different scholars for the same basket in a particular year also diverge greatly. As Bergson (1991, p 41) put it: "The last word on the CIA estimates of Soviet output remains to be said." Nevertheless, the range indicated in the preceding paragraphs, 0.24-1.38 rb per dollar should provide the upper and lower bounds. (c) The exchange rate officially fixed by the Soviets is well within this range, and the black market rates, not to speak of those at Moscow auctions, lie far beyond; the latter are hardly of any use in determining the dollar equivalent of a rouble either for large and sustained trade transactions or for international comparisons.

VI

Rouble after 1989

Tumultuous changes are taking place since 1989. Eastern Europe rejected the Communist parties towards the end of that year, and has moved towards a market economy. And the same direction has been taken by Russia after the disintegration of the USSR in late 1991. The major macro-economic and social changes affecting the rouble since 1989 may be briefly enumerated:

(a) There has been a sharp fall in national income, industrial production, and many other sectors of the economy.

(b) The old system of centralised planning has been dismantled, but an orderly market economy is yet to take shape. Enterprises, regional authorities, and ministries, all have roles, sometimes conflicting, in decision-making.

(c) Although privatisation has been on the agenda, most big enterprises remain state-owned. In petroleum and certain other sectors, however, there are already many joint ventures (JV) between the state and private foreign capital.

(d) Tariffs have been introduced on both exports and imports. Quite a large number of exportable items are on the banned list. Subject to these restrictions, firms are free to trade.

(e) A part of the export earnings has to be surrendered to the government; the remainder can be utilised to import goods or kept in foreign banks for future use. But the JVs that had obtained foreign capital, pledging future export of their products, are exempted from this obligation.

(f) Along with the decline in national income, etc, the Soviet foreign trade also shrank from 1990. In particular, trade with the CMEA partners plummeted in 1991, and in 1992 Russia's trade with them came down to a trickle. But illegal foreign exchange transactions have taken massive proportions.

(g) While Soviet prices were remarkably stable till 1989, there were significant increases in 1990 and 1991; since January 1992 a hyper-inflation has been raging in Russia.

Regarding the external value of the rouble, it was earlier noted that the USSR intended to introduce from 1990 differentiated (by commodity groups) 'commercial' rates around the basic one of 1.24 rb/$, and that in the much quoted report on the USSR by the IMF et al (1990), the commercial rate was put even higher at 1.8 rb/$. In a study of the Vienna Institute for Comparative Economic Studies, Grabisch et al (1992, pp 85-87) erroneously converted Soviet trade flows in VR into dollars using the changing commercial rates. From the official foreign trade data for 1990, in VR as well as dollars, it transpires that the overall exchange rate was still 0.59 rb/$ [Chandra 1993]. If this was true on the aggregate plane, the reality at the ground level was at least as complicated as before when thousand of commodity-wise 'conversion' rates prevailed; what added to the confusion was the trend toward decentralised decision-making, and the introduction of the Moscow auction rate (AR) enabling firms to acquire and dispose of dollars. Not only were the AR far higher than the commercial rate, but many firms, it was also noted, were willing to pay nearly twice as much as the AR. On the other hand, the volume of transactions at the auctions remained quite small in the initial phase. For all these reasons the operational significance of the commercial rate remains for me shrouded in mystery; in any case, it cannot replace the old official exchange rate either for statistical or for economic purposes. Russia in May 1992 had a plethora of exchange rates as follows [Kireev 1992]:

(1) The auction rate (145.5 rb/$) was determined at the periodic auctions as noted above. Some 34 authorised banks, the Central Bank (CB) and the Moscow government participated in the auctions; other domestic firms operated through the banks. No foreign companies or individuals were allowed to enter the scene. The CB did influence the auction rate. The average volume of transactions per auction amounted to $ 6-8 mn.

(2) The market rate (100 rb/$) was set by the CB from time to time, though linked to the AR, it was neither equal nor strictly proportional to the latter, allowing some further latitude to the CB. The market rate was used for accounting purposes; exporters compelled to surrender 10 per cent of their earnings to the Currency Stabilisation Fund were compensated in roubles at this rate.

(3) A special commercial rate (55 rb/$) was again set by the CB as a proportion of the market rate, and used for accounting purposes; exporters obliged to part with 40 per cent of their earnings to the foreign exchange reserve, obtained roubles at this rate.

(4) The black market rate (120-130 rb/$) was highly volatile, even during a single day. Individuals, traders, firms and even banks took recourse to it. Deals were struck even inside the premises of a bank in order to avoid payment of bank commission.

(5) The special foreign exchange rate (5.4 rb/$) was used exclusively for 'centralised import' of food, medicines, technological raw materials, etc, paid out of the state budget, and for the release of foreign exchange to government officials visiting abroad.

This situation did not last very long. Although the former prime minister Gaidar sought to introduce a uniform rate of exchange, initially for current account transactions from July 1, 1992, and eventually for capital account as well with full convertibility from 1993, he met with partial success. The scene in early 1993 has been surveyed by Grigoryev (1993). For current account transactions, there are still more than one *de facto* rates.

(a) The basic one is the AR determined twice a week, and is declared as the official rate by the CB on the following day. The parallel auction centres in St Petersburg, Ural, Siberia, etc, have their own rates which are not identical with, but still close, to the Moscow rate. Since the Moscow auctions are confined to a limited number of participants, most individuals and firms go to authorised commercial banks or to the street/black market. While the AR stood at 572 in February 1993, the banks were buying dollars for 620-640 rb, and selling at 690-710 rb. The black market rate would be within the band established by the commercial banks.

(b) For 'centralised import', covering around one-half of Russia's total import, the government sells dollars to the designated state enterprises at highly subsidised rates varying from 5-30 per cent of the official rate. Thus when the latter was 572 rb/$, the government charged anything from 29-172 rb/$, depending on the commodity to be imported. According to Democh (1993), the lowest rate in March was even smaller at 20 rb/$.

(c) For ordinary citizens, most state and private enterprises and businessmen, however, the AR occupies the centre stage. That is why two business organisations, namely, the Moscow Chamber of Commerce and the Moscow Commodity Exchange, started quoting forward rates, in early February 1993, these rates per dollar were 1,100 rb for delivery in April, and 1,300 rb for delivery in May, respectively 92 per cent and 127 per cent higher than the spot rate in February just quoted.

As the AR soared, Grigoryev continued (perhaps for the benefit of Indians), "our debtors began to convert with pleasure" their dollars into roubles, and "insistently offered us to receive the payments". The Russian Central Bank had to issue a notification for all debtors; the calculations would be based on the 'old' (pre-1991) exchange rate of the erstwhile Gosbank of the USSR, linked to a basket of six convertible currencies.

This notification, in my view, can hardly be called arbitrary or whimsical. For, the Russian government has yet to permit full convertibility of the rouble; capital flows are still legally banned, although since mid-1990 the Soviet citizens were allowed to hold dollars for 'personal' use or consumption purposes. The exchange control system may have become flabby and corrupt, but one cannot legally take an unlimited quantum of dollars out of the country. Nor is a foreigner permitted to bring in dollars, convert them through commercial banks and purchase capital assets in Russia. In that case, as Grigoryev tells us, an American could buy up a medium or large Russian enterprise for the price of a new car at home. No government could tolerate that. Thus the rouble remains an inconvertible currency for any kind of capital transaction.

Grigoryev mentioned one further complication. Outside of Russia, the rouble is still the sole legal tender in Kazakhstan, Uzbekistan, Turkmenistan, Armenia and also in non-CIS Georgia; in Belarus, Latvia and Moldova the rouble is used concurrently with the respective local currencies; and in Estonia, Lithuania, Ukraine and Azerbaijan only the local currencies are permitted. It is evident that the trade regime and the exchange control system in the first two groups of countries will have a far from negligible impact on the external value(s) of the rouble; besides, the former do not co-ordinate their monetary policy with the Russian CB.

Nevertheless, in western as well as Russian media the AR has received wide publicity and is closely monitored as if it were the exchange rate of the rouble. It is evident, however, from the accounts of Kireev and Grigoryev that it is far-fetched to talk of a single exchange rate of the rouble.

Initially, the size of transactions at the Moscow auction was quite small. In November 1989, one may recall, it was just $ 880,000, even in May 1992 it was no more than $ 6-8 mn at each auction. In the second half of the year, thanks to the new policies, the volume vastly increased. In December 1992 the amount transacted was $ 453 mn, rising to over $ 500 mn in February 1993. For the whole of 1992 the figure was $2.8 bn, while in the first quarter of 1993 it crossed $1.5 bn. Currently, the transactions constitute 20 per cent of export, or 35-40 per cent of export earnings going into the authorised Russian commercial banks (*Ekonomika i zhizn'*, 1993, Nos 7 and 12; *Finansovye izvestiya*, April 10, 1993). Thus the Moscow auctions cannot any more be set aside as a marginal phenomenon.

I shall now explore the link between the AR and the consumer price index (CPI) of the Goskomstat; the data for selected months since November 1989 to March 1993 are presented in Table 2. In the first year till November 1990, the AR rose twice as fast as the CPI, and the same is true for the next 13 months till December 1991. As prices flared up owing to the 'big bang' of January 2, 1992 when the decades-old government control over prices was lifted for most commodities, there was a spectacular reversal; between December 1991 and February 1992, the AR declined by 30 per cent, while the CPI shot up 4.8 times. Indeed, during the 27 months from November 1989 till February 1992, the AR increased 7.3 times against a 12-fold rise in the CPI.

From February 1992 a new pattern seems to have emerged. If one takes a somewhat longer perspective of several months, the AR and the CPI tend to move in tandem. Thus the respective incremental ratios were 2.9 and 2.8 in February-September 1992, 2.04 and 1.95 in September-December 1992, 3.37 and 3.78 from September 1992 to March 1993, and 9.77 and 10.84 from February 1992 to March 1993. However, such a tendency cannot be observed on a month-to-month basis. The AR, for instance, fell from 160 on April 2 to 128 on May 6, 1992 (*Ekonomika i zhizn'* 1992/51). From Table 2 one finds that in January-February 1993, the AR rose by 16 per cent against 29 per cent for the CPI.

So far I have used the Goskomstat series on the CPI. Critics pointed out that during the Soviet period there was 'hidden' inflation, and some offered alternative estimates (cited in Aslund 1991, pp 184-86). For 1992, while the Goskomstat showed a 26-fold rise, another official agency, the Centre for Economic Conjuncture and Forecasting (CECOF), put it higher at 30 times (T Bolotova, *Izvestiya*, March 6, 1993). Hence I have constructed an alternative series on the CPI in column (3) of Table 2, taking the highest of the available indices for different periods. My object is simply to test for the robustness of the earlier conclusion, rather than to suggest that the alternative series is more trustworthy than that of the Goskomstat. In the absence of the CECOF's monthly indices from January to November 1992, I have raised the other index for each month by a common factor of 1.14 (=3000/2625). The new series reinforces the conclusion that the CPI rose faster than the AR from November 1989 to February 1992, the same is true for the previous conclusion on the AR-CPI relationship since February 1992.

Here a couple of caveats are in order. I have so far established a close statistical association between the AR and the CPI since February 1992, but have no hypothesis on the causality. Did the CPI push up the AR, or vice versa? Or, was there one or more exogenous factors that led to a surge in both? Without such an investigation it is difficult to make a forecast about the future relationship between these two variables.

An examination of the AR in 'real' terms, i e, by discounting for the inflation factor since 1989 when prices were stable throws some interesting results. At constant November 1989 consumer prices, the AR in February 1992 amounted to 5.82 or 5.12, depending on the prices series; for March 1993 the corresponding figures were 5.25 or 4.09. Prior to 1992, the 'real' AR was much higher at 35 to 40 in December 1991. This is another indication that the 'real' AR is only now moving within a rather narrow band of 4 to 6, which is surprisingly close to the 'historical' black market rate that prevailed for decades prior to the perestroika. Further, as Kireev as well as Grigoryev noted, today's street rate is generally linked to the AR.

What does the AR today signify? "The current exchange rate of the rouble expresses nothing in real terms but an irresistable urge, prompted by panic, to drop it like a hot potato, and by the absence of any serious incentives for solid foreign investors to put their money into Russia's economy." That is how Shmelyov (1993) characterised the auction rate. Indeed, an international investors' conference in March 1993 at Miami, USA, ranked Russia as the country with the 'highest investment risk' (*Ekonomika i zhizn'*, No 13). That businessmen have been getting rid of roubles to acquire dollars was also confirmed by Garkusha (1993).

The AR, Shprygin (1993) has forcefully argued, does not reflect the relative prices in Russia and abroad. If the rate at the end of February 1993 was 600 rb/$, the commodity-wise price parities (in rb/$), assuming for all Russian industries an average wage of $ 20 per month, were: 70-90 for machine-building, 100-110 for oil, 150 for steel pipes, 130-140 for steel sheets, etc. In other words, at the prevailing AR, the Russian costs of these products were just 12 to 25 per cent of the world prices. The low exchange value of the rouble encourages domestic producers to go in for exports on a large scale, sacrificing the local market. On the other hand, with low dollar realisation from export, and the high cost of import in terms of roubles, the firms can hardly afford to import equipment for modernisation; for, the additional costs cannot be recovered from domestic buyers. Writing in 1991, another Russian economist, Lushin (1991, p 7) made the same point in a picturesque manner, at an exchange rate of 1 0 rb/$, all the primary commodities 'would run abroad'; at 3-4 rb/$, manufacturers would

TABLE 2: AUCTION RATES AND CONSUMER PRICE INDICES, 1989-1993

	Auction rate (rb/$) (1)	Consumer Price Indices (2)	(3)
1989		100	100
Nov 1989	9.57	102[a]	112
Nov 1990	20 9	107[a]	132
Dec 1991	100	257[b]	318
Jan 1992	110	887	1256
Feb 1992	70	1225	1734
Jul 1992	135	2853	4040
Sep 1992	203	3454	4892
Dec 1992	415[c]	6741	9551
Jan 1993	488[c]	8561	12130
Feb 1993	566[c]	10787	15284
Mar 1993	684	13052	18493
Incremental ratios			
Nov 89-Nov 90	2.18	1.07	1.18
Nov 90-Dec 91	4.78	2.40	2.40
Nov 89-Feb 92	7.31	12.01	15.48
Dec 91 -Feb 92	0 70	4.77	5.45
Feb 92 -Jul 92'	1.93	2.33	2.33
Feb 92-Sep 92	2.90	2.82	2.82
Sep 92-Dec 92	2.04	1.95	1.95
Sep 92-Mar 93	3.37	3.78	3 78
Feb 92-Mar 93	9.77	10.65	10.66

a Average annual indices; b Index for the last quarter; c Monthly average.

Sources: Col (1): Aslund 1991, p 185; *The Financial Times*, 19.1.93; KROWE, Feb 1992, p 38772; FOF, 17.9.92, p 688; *Ekonomika i zhizn'*, 1993, Nos 7 and 12; *Nezavasimaya gazeta*, 5.3.93 and 31.3.93. Cols (2-3): Aslund 1991, p 186; Grabisch et al 1992, p 87; *Ekonomika i zhizn'*, 1992/51; *Izvestiya*, 6.3.93 and 11.3.93; *Argumenty i fakty*, 1993, No 15.

TABLE 3: RETAIL CONSUMER PRICES IN JANUARY 1993 IN SELECTED EUROPEAN CITIES

(in $/kg)

	Moscow	St Petersburg	Rome	Paris
Wheat bread	0.09	0.14	0.70	2.90
Milk ($/litre)	0.06	0.07	1.30	0.90
Potato	0.08	0.10	0.80	1.10
Sugar	0.40	0 40	0.90	1.30
Margarine	0.50	0.50	6.70	2.70
Butter	1.80	1.60	10.00	5.10
Large eggs ($/10 nos)	0.30	0.20	2.70	1.80
Boiled sausage	1.00	0.70	2.40	1.50
Beef (top quality)	0.70	0.50	13.30	14.50
Vodka ($/litre)	1.50	1.40	11.30	16.30

Source: Argumenty i fakty, 1993, Nos 2 and 3.

not import equipment and recoup the extra costs from domestic buyers.

The weekly, *Argumenty i fakty* reproduced comparative retail prices in early January 1993, compiled by the Goskomstat, of a few food products in several Russian cities, both in roubles and in dollars, using the then AR of 423-442 rb/$, and also the dollar prices of the same goods in Tokyo, Paris and Rome. In Table 3 are indicated the dollar prices in Moscow, St Petersburg, Rome and Paris. The Russian prices are invariably much lower than those in west Europe, but the gap is highly uneven. The Russian parliament, one may note, has imposed price control on bread, milk, meat and vodka. The price differentials for these products are therefore much larger than for sugar, margarine, butter and boiled sausage. But why are sausages, relatively to beef, so much more expensive in Russia than in the west? I have no answer to this puzzle.

All these lead to the conclusion that the AR is out of alignment with the purchasing power parity (PPP) of the rouble *vis-a-vis* other currencies. But then for many important third world countries, the actual exchange rate is grossly undervalued in relation to the PPP (computed for the respective GDPs) e g, by a factor of 6.1 for China, 5.6 for Pakistan, 3.8 for India, or 1.7 Brazil, all in 1990 [World Bank 1992. Tables 1.2 and 30] If the AR (at its present 'real' level) suddenly became the sole exchange rate, if all quantitative restrictions over export and import were lifted, and if tariffs were sharply reduced, then the Russian economy will go through another upheaval of a major nature. In the wake of the second big bang, it is doubtful that the 'real' AR would remain unchanged. Whether the rouble in the end will appreciate or depreciate is something that is best left to crystal gazers.

Conclusion

Many knowledgeable persons in India untainted by the virus of crude nationalism would tend to agree with the main thrust of the first editorial in *The Economic Times* (February 1) that India made a "$ 10 bn gift to Yeltsin". Most people have in mind the present level of the AR. At the January 1993 rate of 488 rb/$, India's debt of 9,871 mm rb would amount to a paltry $ 20.2 mn, and hence all that India agreed to pay was simply a gift.

Elementary common sense tells us that the Russian rouble of 1993 is by no stretch of imagination equivalent to one Soviet rouble of 1989 or earlier when the USSR had supplied military wares on credit. A more sophisticated critique of the Indo-Russian agreement would concede this point; if the new exchange rate is deflated by the official inflation factor in Russia since 1989, it would be, as shown above, close to the historical black market rate before perestroika. Consequently, India's debt would stand reduced to $ 1,718 mn. But I have already cited several western scholars who all rejected the earlier black market rate as a meaningful exchange value of the rouble, and also adduced fresh evidence that the current AR is no better.

On the other hand, it is very difficult to specify what the 'correct' exchange rate should be for a country in transition from a command economy with strict exchange control to a more market-oriented one with fewer restraints on foreign trade and payments. Even at the cost of repetition, I must underline that Russia is in a highly volatile state, the new economic order is yet to take shape, foreign trade has been decentralised but is badly disrupted, there is large scale capital flight, and for many key items, most notably oil, there is a vast difference between the domestic and world prices [Chandra 1993]. For all these reasons, one cannot characterise the current AR is an 'equilibrium' rate of exchange in the textbook sense.

Once a semblance of stability returns to Russia, the authorities may well settle on a rb/$ rate higher (allowing for the inflation factor) than the present AR. If that rate were applied retrospectively to all transactions, many trade partners of the USSR might ask for a refund owing to overpayment (underpayment) on their import (export)! If none of them did so, on what logic could India ask that her own debts be scaled down? For, this debt was accumulated for military supplies up to 1989, generally at prices well below the world market prices for comparable weapons as evaluated by the SIPRI. Hence, in my view, the Indo-Russian agreement on the rouble debt was a legitimate one from a legal as well as a strictly economic point of view.

Third world countries, inclusive of India, owed to the ex-USSR approximately $ 150 bn, and the prospect of Russia getting more than a small fraction back is rather bleak [Grabisch et al 1992: 85]. The international bankers who are lending simultaneously to Russia and to her debtor nations do care for the safety of their own loans, and hardly any at all for the sums owed to Russia. This is the reality of the new international order since the Soviet perestroika, and most visibly demonstrated by America's naked and continuing aggression against Iraq with an impotent UN acting as the rubber stamping authority.

If India reneged on the rouble debt, she might not attract any sanctions from western powers or multilateral agencies. But what would she gain beyond the savings on the debt service payments? In the post-cold war era, the west could not favour India with greater loans, investments or market access. And since Russia could easily find alternative sources for her requirements in tea, coffee, textiles, etc, India would lose a valuable export outlet. Conversely, most of Russian exports to India consisting of 'hard goods' like oil, fertilisers, metals, etc, for which there is no dearth of external demand. Thus on items of civilians trade, India will be hurt disproportionately if her ties with Russia were snapped. Indeed, during the whole of 1992, if not earlier, India's direct export to Russia came to a virtual standstill, and many Indian firms heavily dependent on export to the rouble area faced an acute financial crisis.

Regarding the immediate to medium-term implications of the Indo-Russian agreement, I endorse in general the views expressed in the editorial of the *Economic and Political Weekly* (February 6) captioned 'Not a Sell-Out' But the prospects of India exporting to Russia a large quantum of manufactured consumer goods may be dimmed by the rapid takeover (legal or *de facto*) of Indian firms in these sectors by the OECD transnationals thanks to our own liberalisation policy dictated by the IMF and the World Bank; I have in mind the alliances, mergers or takeovers affecting among others, Godrej and Proctor and Gamble, Tomco and Hindustan Lever, Kissan and Brooke Bond, and Bajaj Electricals and GE. The transnationals are unlikely to permit their Indian affiliates to penetrate the Russian market, preferring supplies from their own headquarters. If they also manage to control Russian importing agencies and/or producing enterprises in these sectors, the scope for Indian exports would be further curtailed.

My hunch is that the Indian government signed the agreement, not so much for these hypothetical economic gains, nor out of a moral or legal compulsion (pace its prevarications over Kashmir, Ayodhya, Bofors, the stock market scam, to name just a few), but mainly on considerations of foreign policy and defence. Russia still wields a veto at the UN Security Council. If the US supports even indirectly a new Security Council resolution reaffirming its earlier call for a plebiscite in Kashmir, only Russia can stand in the way; it is by no means certain that Russia would actually do it, but there is an outside probability that she might. Nor, it must be added, is the US keen to revive the issue, unless Indian repression and popular resistance crosses the limits of US tolerance. As for the Indian defence sector, the Soviet weapons still remain the mainstay; in the absence of the Indo-Russian accord, India's 'defence capability' would be seriously jeopardised. My feeling is that this 'defence' factor was decisive in India's sign-

ing the rouble debt agreement.

Although I have little sympathy for this *raison d'etat*, I believe that a unilateral debt cancellation by India would foreclose the prospects of Indo-Russian collaboration in the long run. Given the enormous scientific and technological capabilities of both nations, there is limitless scope for co-operation between them, especially in areas of advanced technology where OECD-based transnationals have a near monopoly over the world market. But that will remain a will-o'-the-wisp so long as the governments of the two countries remain mortgaged to the global moneylenders.

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Growth Perspectives of the Eighth Plan

A Two-Sector Open Economy Framework

Suman Sarkar

The two-sector model presented in this paper takes into account foreign trade which was assumed to be absent in Mahalanobis model in addition to aspects of sectoral investment allocation in the Indian economy. Keeping in view the changes that may result from the government's New Economic Policy in the shares of the consumer goods and investment goods sectors in total national investment, alternative economic growth projections have been made for a period of 20 years. Using the new model, the study makes an attempt to assess the prospects of a relatively high long-term growth rate by increasing the level of efficiency in domestic resource use and the inflow of investment goods from abroad.

DURING the last three decades planning n India was associated with several variations of short- and medium-term objectives and specific steps proposed for the attainment of these objectives. But in the 1950s there had also evolved a planning strategy which no doubt may be regarded as a strategy of long-term development of he Indian economy It is a well known act that India's second five-year plan had been framed in accordance with an approach of economic and social development of which Prasanta Chandra Mahalanobis had been the chief architect and that his approach had obtained its official status as a national planning strategy as a result of the whole-hearted support and active collaboration of the then prime minister Jawaharlal Nehru. However, the subsequent five-year plans in India were characterised not only by varying extents of failure to implement development programmes consistent with this long-term strategy but also increasing deviations from this approach itself.

I

The Nehru-Mahalanobis Strategy

Speaking generally the Nehru-Mahalanobis strategy[1] of planned development that emerged during the 1950s sought to achieve a self-sustained development of he Indian economy with an active role of he state in promoting heavy industries and infrastructure. An important aspect of the developmental philosophy underlying this strategy was demonstrated by Mahalanobis (1953) in terms of a model[2] which divides the economy into two sectors of which one produces investment goods and the other produces consumer goods.

With the help of this two-sector model Mahalanobis showed that two different proportions of investment allocated to the investment goods industries yield two different time paths of gross domestic product and that in the long run the curve of GDP which is associated with a higher share of investment for investment goods industries, intersects the curve associated with a relatively lower share of investment going to investment goods industries from below and gradually rises significantly above the latter. In view of these relations between the pattern of allocation of investment and the time path of GDP, Mahalanobis concluded that from a long run point of view it may be desirable to invest more in industries producing investment goods rather than investing more in industries producing consumer goods.

The two-sector model of Mahalanobis however, has certain limitations which arise in connection with the different restrictive assumptions[3] on which the model is based. The assumption of absence of foreign trade makes it impossible to consider the possibility of countering a fall in long-term growth rate resulting from a reduction in the share of investment going to investment goods industries, with the help of an inflow of investment goods from abroad. On the other hand the assumptions of the absence of any sector producing intermediate goods, the full utilisation of production capacities in the two sectors of the economy and the absence of any behavioural conditions relating to savings and investment decisions are limitations which no doubt to some extent reduce the operational significance of the model in the present economic context.

However, some of these restrictive assumptions may be looked upon as unavoidable under a two-sector framework involving only the physical outputs of the two types of commodities. Under such a framework, for example, intermediate goods cannot but be lumped together partly with investment goods and in part with consumer goods. Further, such a model may not have a scope for incorporating within itself any behavioural aspects of savings or investment. But a similar two-sector framework may well be used for formulating a new model which may be able to dispense with the restrictive assumptions of absence of foreign trade and of full capacity utilisation. As a matter of fact, a two-sector model free from the two above mentioned restrictions may be able to illuminate an important area of choice regarding national policies in the present economic context.

The New Economic Policy (NEP)

The NEP declared by the government on the eve of the eighth plan has initiated a process of privatisation of industries belonging to the public sector and delicensing of many of the industries already existing in the private sector. The door is also being opened for foreign private investment in industries of different types. The government thinks that the changes mentioned above can serve to reduce India's domestic budgetary gaps and balance of payments deficits by improving industrial management and efficiency and by increasing foreign private investments.

But in the entire NEP there is no emphasis on investment in investment goods industries. On the contrary, there seems to be a ground for apprehending that this policy may in fact lead to a lowering of the share of investment going to investment goods industries. The decontrol of industries implies that investment decisions will increasingly be subject to private profit considerations and it is a widely shared impression that investors in the private sector in India are more inclined to investing in consumer goods industries of different types rather than investment goods. Production of consumer goods, speaking generally, requires relatively less capital and have shorter gestation lags as compared to production of investment goods. On the other hand, with the expansion of incomes of the middle section of income earners the demand for certain consumer goods including different luxury[4] items has been increasing in recent years so that marketing of such commodities may be supposed to involve lesser uncertainty than does the marketing of investment goods, the demand for which

depends on a number of complex decision factors operating at different levels, public as well as private. The preference for investment in the quick return industries producing consumables may also be associated with the existing status of many of the private investors in India who do not have adequate command over capital to make possible substantial long-term investments in the relatively capital intensive investment goods industries. Under these circumstances, a reduction in the proportion of public investment in total national investment and the withering away of government control of industries in the private sector may be associated with a reduction in the share of investment goods industries in total national investment in the physical sense.

In view of the above mentioned reasons if it is assumed that as a result of the new industrial and economic policy the share of investment goods in national investment will decline by a stipulated percentage, it becomes important to have knowledge regarding the possible impact of such a change in the pattern of national investment allocation on the long-term growth path of the economy. It may also be useful to have knowledge regarding the extents to which domestic efficiency in resource use and the inflow of investment goods from abroad will have to be increased if a growth path similar to the one corresponding to a stipulated higher share of investment goods in national investment is sought to be recovered. These are the questions which the mathematical model presented in the next section has been designed to deal with.

II

Mathematical Model

The model is based on a framework which divides the economy into two sectors of which one produces investment goods and the other produces consumer goods. In accordance with the above mentioned sector classification the GDP is defined as the sum total of the outputs of investment goods and consumer goods.

The economy is defined as an open one in the sense that a part of national output is exported and the domestic supplies of the two types of goods include the quantities of these goods imported from abroad. Under this framework both national output and exports have the status of endogenous variables. On the other hand, imports are assumed to depend on current export earnings, the exact relationship between the two depending on assumptions regarding the availability of foreign exchange resources over and above current export earnings.

Time is treated discretely with an year as unit and it is assumed that there is a uniform gestation lag of one year between investment and capacity expansion in both investment goods and consumer goods industries. It is also assumed that domestic outputs and exports are evaluated at constant prices. The GDP may then be projected with the help of equation (1)

$$Y_t = Y_0 \left[1 + \alpha_0 \left\{ (1+\lambda_i\beta_i)^t - 1 + \lambda_c\beta_c \sum_{x=0}^{t-1} (1+\lambda_i\beta_i)^x \right\}\right] + K_i(\lambda_c\beta_c + \lambda_i\beta_i) \sum_{x=0}^{t-1} M_x (1+\lambda_i\beta_i)^{t-x-1} \quad \ldots(1)$$

where

Y_t = gross domestic product in year t
M_x = imports in year x
α_0 = rate of investment in the base year o
λ_i = share of investment going to investment goods industries
λ_c = $1-\lambda_i$ = share of investment going to consumer goods industries
K_i = share of investment goods in total import
β_i = incremental output-capital ratio in investment goods industries
β_c = incremental output-capital ratio in consumer goods industries

Derivation of the Model

Equation (1) is derived in the following manner. If the domestic capacity of production of investment goods in year t is denoted as I^u_t, the physical amount of investment in the economy in year t may be represented as

$$I_t = I^u_t + K_i M_t \quad \ldots(2)$$

where

$$I^u_t = I^u_{t-1} + \lambda_i\beta_i I_{t-1} \quad \ldots(3)$$

It is easy to see that the above relations may be obtained on the basis of two assumptions. The first of these is that there is full capacity utilisation in the investment goods sector so that I^u_t can be taken to represent the domestic output of investment goods. At a later stage this assumption will be relaxed. The second assumption is that the whole output of the investment goods sector is available for domestic investment. To fulfil the above mentioned condition it has to be assumed that investment goods are not exported. However, from the point of view of the government's NEP the last mentioned assumption which implies that only consumer goods are assumed to be exported, may be regarded as a congenial one in the following sense. On account of this assumption a relatively higher share of investment going to consumer goods industries may appear as desirable as it may be associated with a higher time path of export earnings than that corresponding to a higher share of investment going to investment goods industries. Now, if it is hypothesised that the NEP will be associated with a rise in the share of con-

Table 2: Parameters Representing Allocative Shares and Trade Balance

Parameter	Alternative Assumptions I	II	III
λ_c	0.40	0.60	0.60
λ_i	0.60	0.40	0.40
K_i	0.84*	0.84	0.64
ϕ	1.00	1.00	1.00

Notes: * This value of K_i has been obtained on the basis of information presented in *Economic Surveys*, 1986-87 to 1990-91

Table 3 Base Year Values of Constants

Constant	Value
Y^u_0	100.00
α_0	0.37*
I^u_0	37.00
C^u_0	63.00
M_0	5.50**

Notes: * Assumed on the basis of recent information relating to value of production by industry of origin obtained from *National Accounts Statistics* and *Quick Estimates*. ** Assumed on the basis of recent information presented in *Economic Surveys*

Table 1 Parameters Related to Production and Exports

Parameter	Values Assumed in View of Official Information* (i)	Special Assumption (ii)	Assumption of 100 Per Cent Capacity Utilisation (iii)	Assumption of 80 Per Cent Capacity Utilisation (iv)	Assumption of 60 Per Cent Capacity Utilisation (v)
β_c	0.154		0.154	0.1232	0.0924
β_i	0.125		0.125	0.10	0.075
θ_c	0.051	0.078603174			
θ_i	0.047	0.00			

Notes: * Values of β_c and β_i assumed in view of facts presented in Technical Note on sixth five-year plan and seventh five-year plan. Values of θ_c and θ_i estimated on the basis of data presented in *Economic Surveys*, 1986-87 to 1990-91

sumer goods in domestic investment, the assumption that only consumer goods are exported may tend to increase its desirability from the point of view of growth of export earnings associated with this policy. In Section III of this paper the sensitivity of the export growth path to the assumption that investment goods are not exported will be assessed by comparing the quantitative results obtained on the basis of of this assumption with those obtained by relaxing this assumption. But for the time being let us maintain the assumption that investment goods are not exported.

Substituting equation (3) in (2) above we obtain the difference equation

$$I_t = I^u_{t-1} + \lambda_t\beta_t I_{t-1} + K_t M_t \quad \ldots(4)$$

which has the solution

$$I_t = I^u_0 (1+\lambda_t\beta_t)^t + \lambda_t\beta_t K_t \sum_{x=0}^{t-1} M_x (1+\lambda_t\beta_t)^{t-x-1} + K_t M_t \quad \ldots(5)$$

From equation (5) it may be seen that the domestic production capacity of investment goods in year t is given by

$$I^u_t = I^u_0 (1+\lambda_t\beta_t)^t + \lambda_t\beta_t K_t \sum_{x=0}^{t-1} M_x (1+\lambda_t\beta_t)^{t-x-1} \quad \ldots(6)$$

On the other hand, production of consumer goods in the economy may be represented in terms of the difference equation

$$C^u_t = C^u_{t-1} + \lambda_c\beta_c I_{t-1} \quad \ldots(7)$$

which has the solution

$$C^u_t = C^u_0 + \lambda_c\beta_c \left\{ I^u_0 \sum_{x=0}^{t-1} (1+\lambda_t\beta_t)^x + K_t \sum_{x=0}^{t-1} M_x (1+\lambda_t\beta_t)^{t-x-1} \right\} \quad \ldots(8)$$

Adding equations (6) and (8) and using the relation $C^u_0 = Y^u_0 - I^u_0$, we obtain

$$Y^u_t = Y_0 + I^u_0 \left\{ (1+\lambda_t\beta_t)^t - 1 + \lambda_c\beta_c \sum_{x=0}^{t-1} (1+\lambda_t\beta_t)^x \right\} + K_t \sum_{x=0}^{t-1} M_x (\lambda_c\beta_c + \lambda_t\beta_t)(1+\lambda_t\beta_t)^{t-x-1} \quad \ldots(9)$$

If it is assumed that production capacities of both investment goods and consumer goods are fully utilised, (9) may be written as

$$Y_t = Y_0 \left[1 + \alpha_0 \left\{ (1+\lambda_t\beta_t)^t - 1 + \lambda_c\beta_c \sum_{x=0}^{t-1} (1+\lambda_t\beta_t)^x \right\} \right] + K_t(\lambda_c\beta_c + \lambda_t\beta_t) \sum_{x=0}^{t-1} M_x (1+\lambda_t\beta_t)^{t-x-1}$$

which is the same as our equation (1).

Imports and Exports

In order to obtain a time path of GDP with the help of equation(1) above, one has to start with a given set of values of annual imports M_x for $x = 0, 1, \ldots, t-1$. Under our mathematical framework if the base year value of imports M_0 is specified exogenously, all the other values of annual imports may be obtained from an export function by making a suitable assumption regarding the relation between current exports and imports. It may be assumed that

$$M_x = \phi E_x \quad \ldots(10)$$

where E_x denotes exports in year x and ϕ is a parameter, the magnitude of which depends on the assumption made regarding the balance of trade. Thus $\phi = 1$ represents the assumption of balanced trade and for $\phi > 1$, M_x exceeds E_x. This last mentioned case implies that the gap between current exports and imports will have to be assumed to be met by making use of additional sources of financing imports such as foreign assistance or foreign private investment.

If it is assumed that the export bundle consists solely of consumer goods, then with a given base year value M_0, the values of annual exports, E_x for $x = 1, 2, \ldots, t$ may be obtained from the export function presented below:

$$E_t = \theta_c C^u_0 + \lambda_c\beta_c\theta_c \left\{ I^u_0 \sum_{x=0}^{t-1} (1+\lambda_t\beta_t)^x + K_t \sum_{x=0}^{t-1} M_x (1+\lambda_t\beta_t)^{t-x-1} \right\} \quad \ldots(11)$$

where θ_c denotes export of consumer goods as a proportion of the value of output of consumer goods at constant domestic prices. It may be noted that to calculate the time path of exports on the basis of this export function, one has to make use of the feedback link which is assumed to exist between exports and imports as represented by equation (10) above.

Relaxation of Assumptions

Let us now discuss the possibility of relaxing two restrictive assumptions made in the course of our discussion so far. The first of these is the assumption that investment goods are not exported. Relaxation of this assumption may be possible if a new parameter θ_t representing investment goods exports as a proportion of the domestic output of investment goods is introduced and the investment function is adjusted so that it can take into account the annual outflow of investment goods in the form of exports.

The second restrictive assumption is that of complete utilisation of production capacities in the two sectors of the economy. With less than full capacity utilisation, the incremental output-capital ratios will no longer be the same as the incremental capacity-capital ratios. But if one takes the base year levels of outputs of the two sectors as data and if it is assumed that in a particular sector a definite proportion of production capacity will always be utilised, then such divergence between production capacities and output levels does not stand in the way of projecting future national output by making use of our two sector framework. The time paths of GDP and exports may be calculated under specific assumptions regarding the extent of capacity utilisation, if the values of the incremental output-capital ratios β_c and β_t are adjusted accordingly

The two-sector model presented here can be used for obtaining the time paths

Table 4(a). Projected Average Annual Growth Rates of GDP under 100 Per Cent Capacity Utilisation and Balanced Trade

Time Period	Alternative Assumptions: $\lambda_t = 0.60$, $\lambda_c = 0.40$, $K_t = 0.84$ (I)	$\lambda_t = 0.40$, $\lambda_c = 0.60$, $K_t = 0.84$ (II)	$\lambda_t = 0.40$, $\lambda_c = 0.60$, $K_t = 0.64$ (III)
1992-1997	5.83	5.85	5.70
1997-2002	6.34	5.78	5.64
2002-2007	6.76	5.74	5.60
2007-2012	7.08	5.71	5.57
1992-2012	6.50	5.77	5.63

Table 4(b): Projected Average Annual Growth Rates of GDP under 80 Per Cent Capacity Utilisation and Balanced Trade

Time Period	Alternative Assumptions: $\lambda_t = 0.60$, $\lambda_c = 0.40$, $K_t = 0.84$ (I)	$\lambda_t = 0.40$, $\lambda_c = 0.60$, $K_t = 0.84$ (II)	$\lambda_t = 0.40$, $\lambda_c = 0.60$, $K_t = 0.64$ (III)
1992-1997	4.66	4.68	4.57
1997-2002	5.00	4.63	4.52
2002-2007	5.29	4.61	4.49
2007-2012	5.53	4.58	4.47
1992-2012	5.12	4.63	4.51

Table 4(c): Projected Average Annual Growth Rates of GDP under 60 Per Cent Capacity Utilisation and Balanced Trade

Time Period	Alternative Assumptions: $\lambda_t = 0.60$, $\lambda_c = 0.40$, $K_t = 0.84$ (I)	$\lambda_t = 0.40$, $\lambda_c = 0.60$, $K_t = 0.84$ (II)	$\lambda_t = 0.40$, $\lambda_c = 0.60$, $K_t = 0.64$ (III)
1992-1997	3.47	3.51	3.43
1997-2002	3.67	3.48	3.40
2002-2007	3.85	3.47	3.38
2007-2012	4.00	3.45	3.37
1992-2012	3.75	3.48	3.39

FIGURE 1: TIME PATHS OF GDP UNDER 100 PER CENT CAPACITY USE

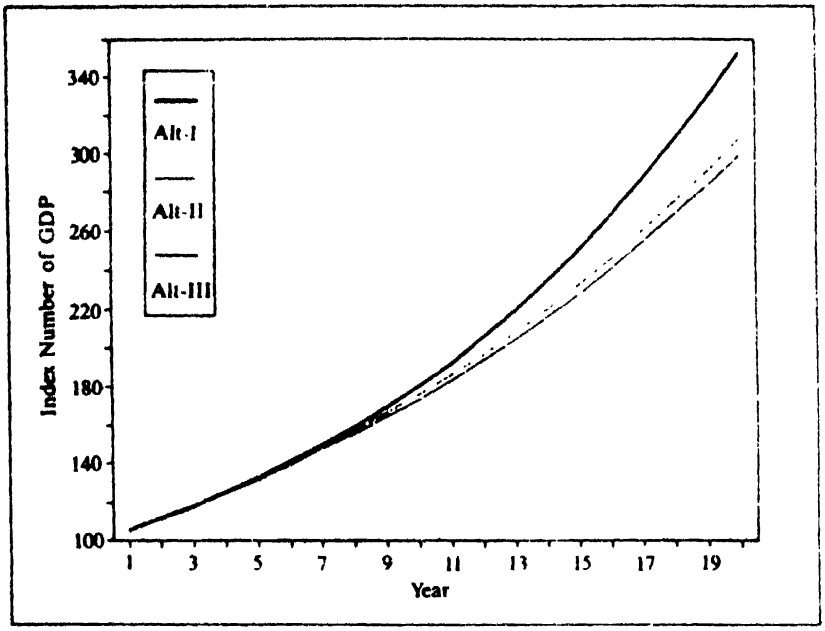
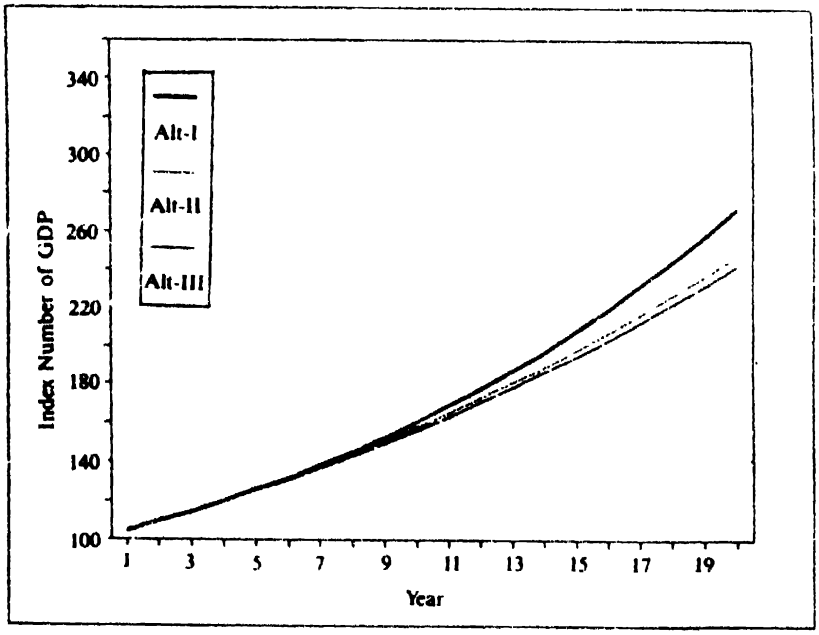


FIGURE 2: TIME PATHS OF GDP UNDER 80 PER CENT CAPACITY USE



of GDP and exports under different assumptions regarding the values of the parameters that are involved. On the basis of such variational exercises one can assess the possible effects of stipulated changes in the allocation of investment and imports or of changes in the levels of capacity utilisation and efficiency on the long-term growth path of the economy.

III

Quantitative Results

The mathematical model presented in the last section was programmed for obtaining quantitative results with the help of a computer. Numerous computational experiments were made with different sets of values of parameters with a view to discover the important characteristics of the time paths of GDP and exports over a time horizon of 20 years starting from 1992.

In column (i) of Table 1, the values of β_c and β_i are the estimates of incremental capacity-capital ratios, obtained from official statistics. In column (iii), the same values are also presented as incremental output-capital ratios under the assumption of 100 per cent capacity utilisation. Column (iv) and (v) of the table present the values of the incremental output-capital ratios under the assumptions of 80 per cent and 60 per cent capacity utilisation levels respectively. Column (ii) of Table 1 shows the values of θ_c and θ_i under the assumption that consumer goods only are exported. It may be seen that the value of θ_c has been augmented so as to compensate for the assumed absence of export earnings from domestically produced investment goods.

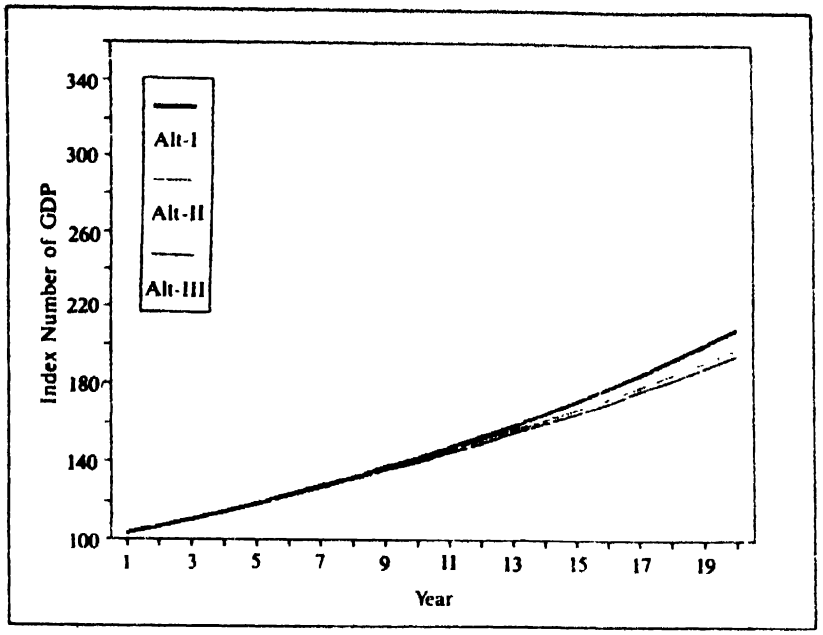
The three sets of parameter values presented in Table 2 represent three alternative sets of assumptions relating to economic policy. While under alternative I, 60 per cent of investment is assumed to be allocated to investment goods industries and 40 per cent of investment to consumer goods industries, under alternative II the share of investment goods is assumed to be 40 per cent and the share of consumer goods 60 per cent. Under alternative III in addition to the assumed increase in the share of consumer goods as under II above, the share of investment goods K_i in total imports has been reduced to 64 per cent from 84 per cent as under alternatives I and II. In all the three cases it has also been assumed that the value of ϕ equals 1.00, implying that trade is balanced.

Table 3 presents the assumed base year values of the different constants. It may be noted that the base year rate of physical investment has been assumed in view of available facts regarding the division of national income into different parts in accordance with industries of origin. On the other hand with the assumed base year GDP level of 100, the base year level of imports is simply imports as percentage of GDP as found from recent official observations.

TIME PATHS

In figures 1, 2 and 3, three sets of curves representing the time paths of index numbers of GDP under the assumptions of 100 per cent capacity utilisation, 80 per cent capacity utilisation and 60 per cent capacity utilisation respectively, have been presented. In each of these figures three curves corresponding to the three alternative sets of assumptions regarding parameters λ_c, λ_i and K_i of Table 2 have been presented. All these three sets of curves have been obtained on the basis of the assumption that the values of the parameters θ_c and θ_i are those presented in column (ii) of Table 1 and that the values of the parameters β_c and β_i used for obtaining the time paths under the assumptions of 100 per cent, 80 per cent and 60 per cent capacity utilisation respectively, are those presented in columns (iii), (iv) and (v) respectively of the same table.

FIGURE 3: TIME PATHS OF GDP UNDER 60 PER CENT CAPACITY USE



In addition in all these projections the base year values of constants presented in Table 3 have been incorporated.

Now, if one examines the relationships among the three curves presented in any one of the three figures it can be seen that a curve corresponding to assumption I of Table 2 after a short span of years starts rising much above the other two curves. On the other hand a curve corresponding to alternative assumption III remains lower than that under assumption III of Table 2.

In other words, in any one of the figures the three time paths of GDP under the three sets of assumptions regarding allocative shares represent three long-term development alternatives for the Indian economy under a specific assumption regarding the possible extent of capacity utilisation. From these curves showing the alternative time paths of GDP, it is evident that under balanced trade conditions, a stipulated 20 per cent reduction in the share of investment going to investment goods industries can result in a significant lowering of the time path of GDP. In addition, a 20 per cent lowering of the share K_i of investment goods imports in total imports can result a further lowering of the time path, though such lowering will be much less significant than the growth retarding effect of a lowering of λ_i.

From the figures it is also interesting to observe that the curves showing the time paths of GDP under different assumptions regarding parameter values start from almost the same level and diverge after the passage of some years. Thus in contrast to the two-sector model of Mahalanobis, in the case of the present model there may not be an intersection of curves corresponding to alternative assumptions regarding the allocation of investment. The reason behind this is that the present model is based on the assumption of an open economy where imports of investment goods balanced by exports of consumer goods may to some extent reduce the initial gap between time paths of GDP under alternative assumptions regarding the allocation of investment between the two sectors of the economy.

Comparing all the three figures showing alternative time paths of GDP, it can also be found that each of the three curves under the assumption of 100 per cent capacity utilisation, is significantly steeper than its counterpart under the assumption of 80 per cent capacity utilisation. Each of the curves under the last mentioned assumption again, is steeper than its counterpart under the assumption of 60 per cent capacity utilisation.

The different projections of GDP, mentioned so far and the corresponding projections of exports will henceforth be identified in the terms stated below: Firstly, we shall describe all projections under the assumption of 100 per cent capacity utilisation as over-optimistic. Secondly, all projections under the assumption of 80 per cent capacity utilisation will be described as optimistic. Thirdly, the projections under the assumption of 60 per cent capacity utilisation will be termed as pessimistic. On the other hand, in accordance with the alternative assumptions of Table 2, the alternative projections of GDP or exports under any given assumption regarding capacity utilisation will be distinguished as projection I or projection II or projection III.

TABLE 5(a): PROJECTED AVERAGE ANNUAL GROWTH RATES OF EXPORTS UNDER 100 PER CENT CAPACITY UTILISATION AND BALANCED TRADE

Time Period	Alternative Assumptions		
	$\lambda_1=0.60$ $\lambda_c=0.40$ $K_i=0.84$	$\lambda_1=0.40$ $\lambda_c=0.60$ $K_i=0.84$	$\lambda_1=0.40$ $\lambda_c=0.60$ $K_i=0.64$
	I	II	III
1993-1997	4.43	6.01	5.86
1997-2002	5.08	5.93	5.77
2002-2007	5.74	5.85	5.70
2007-2012	6.29	5.80	5.65
1993-2012	5.43	5.89	5.74

TABLE 5(b): PROJECTED AVERAGE ANNUAL GROWTH RATES OF EXPORTS UNDER 80 PER CENT CAPACITY UTILISATION AND BALANCED TRADE

Time Period	Alternative Assumptions		
	$\lambda_1=0.60$ $\lambda_c=0.40$ $K_i=0.84$	$\lambda_1=0.40$ $\lambda_c=0.60$ $K_i=0.84$	$\lambda_1=0.40$ $\lambda_c=0.60$ $K_i=0.64$
	I	II	III
1993-1997	3.48	4.81	4.69
1997-2002	3.91	4.75	4.63
2002-2007	4.35	4.70	4.58
2007-2012	4.74	4.66	4.54
1993-2012	4.15	4.73	4.61

TABLE 5(c): PROJECTED AVERAGE ANNUAL GROWTH RATES OF EXPORTS UNDER 60 PER CENT CAPACITY UTILISATION AND BALANCED TRADE

Time Period	Alternative Assumptions		
	$\lambda_1=0.60$ $\lambda_c=0.40$ $K_i=0.84$	$\lambda_1=0.40$ $\lambda_c=0.60$ $K_i=0.84$	$\lambda_1=0.40$ $\lambda_c=0.60$ $K_i=0.64$
	I	II	III
1993-1997	2.56	3.59	3.50
1997-2002	2.81	3.56	3.47
2002-2007	3.07	3.53	3.44
2007-2012	3.31	3.50	3.42
1993-2012	2.96	3.54	3.45

TABLE 6: ADDITIONAL INFLOW OF INVESTMENT GOODS*

(Percentage)

Increase in Efficiency	100 Per Cent Capacity Utilisation (i)	80 Per Cent Capacity Utilisation (ii)	60 Per Cent Capacity Utilisation (iii)
2	110.72	93.28	70.40
5	84.48	68.48	44.80
10	42.88	27.52	3.84

Note: * As percentage of export-balanced imports and increase in efficiency required for recovery of long-term growths rate under alternative I.

Tables 4(a), 4(b) and 4(c) present the over-optimistic, optimistic and pessimistic sets of compound average annual growth rates of GDP respectively, for four consecutive five-year periods starting from 1992 and for the 20-year period as a whole. From Table 4(a), it may be seen that the growth rate of GDP in the over-optimistic case and under assumption I, increases from 5.83 per cent per annum during the first five-year period to as much as 7.08 during the fourth five-year period, the average rate for the whole period of 20 years being 6.50 per cent per annum. The long-term growth rate under assumptions II and III are 5.77 and 5.63 respectively and in both these cases the five-year average rates decline continuously between the first five-year period to the fourth five-year period. One can also find a similar pattern of intertemporal variation of growth rate among the alternative projections I, II and III under the optimistic and the pessimistic assumptions relating to capacity utilisation. For the optimistic set of alternative growth projections, the long-term average growth rate of GDP ranges from 5.12 per cent per annum for alternative I to 4.51 per cent for alternative III and for the pessimistic set of projections it ranges from 3.75 per cent under alternative I to 3.39 per cent for alternative III.

From Tables 4(a), 4(b) and 4(c), it is clear that speaking generally, the sensitivity of the long-term growth rate of GDP to a stipulated 20 per cent variation in λ_1, i e, the proportion of investment going to investment goods industries, is significantly larger than its sensitivity to a 20 per cent variation in K_1, i e, the proportion of investment goods imports to total imports.

Beside this, keeping the value of K_1 unchanged at its 0.84 level we have also tested the sensitivity of the time path of GDP to that of imports. In our model, the parameter ϕ is a proportionality factor assumed to be holding between imports and exports. With all other things unchanged, a variation in the value of ϕ therefore will imply a corresponding variation in the time path of imports. It has been found that a stipulated 10 per cent increase in the value of ϕ results in an increase in the long-term growth rate of GDP by 0.05 approximately under our over-optimistic estimate; the magnitudes of approximate increases in the optimistic and pessimistic cases are 0.04 and 0.03 respectively. These facts show that generally speaking the time path of GDP is not significantly affected by moderate variations in the level of imports.

Exports

The five-yearly average annual compound growth rates of export earnings respond to the alternative possible growth rates of GDP as presented in Tables 4(a), 4(b) and 4(c), respectively. These alternative growth rates of export earnings have been obtained in accordance with the three alternative sets of assumptions of Table 2 and the over-optimistic, optimistic and pessimistic assumptions relating to capacity utilisation. These projections are also based on the special assumptions regarding the values of θ_c and θ_1 as presented in column (ii) of Table 1.

From Tables 5(a), 5(b) and 5(c), it may be seen that like GDP growth rates, the alternative long-term growth rates of exports also vary directly in relation to the extent of capacity utilisation assumed. But the relations observed among the periodic growth rates of exports under the three alternative assumptions I, II and III are different from those observed among alternative growth paths of GDP. It is thus found that in contrast with the case of GDP growth, the highest long-term growh rate of exports is obtained under assumption II according to which 60 per cent of total investment is allocated to consumers' goods industries. The long-term growth rate of exports is slightly lower in the case of assumption III under which the share of investment goods in imports is 20 per cent lower. The lowest average long-term growth rate of exports is however obtained under assumption I according to which 60 per cent of investment is shared by investment goods industries. It can further be seen that under assumption I, the growth rate of exports is the lowest for the first period and rises gradually up till the last period. But under I and II, the rates gradually decline from a height attained during the first period. The above mentioned relations are similar under all the three assumptions regarding levels of capacity utilisation.

The difference between the pattern of relations among the alternative growth paths of GDP under any given assumption regarding the extent of capacity utilisation as mentioned above, is attributable to the special assumptions made regarding the values of the parameters θ_c and θ_1 (column (ii) of Table 1). In a separate exercise, keeping all other things unchanged, the assumed zero value of θ_1 and the augmented value of θ_c were both replaced by their observed values (column ii) of Table 1). From this exercise it was found that under any given assumption regarding capacity use the pattern of relations among the alternative growth paths of exports have a considerable degree of similarity with the pattern of relations among the corresponding alternative growth paths of GDP. A striking point to note however, is that while the above mentioned changes in the values of the two parameters concerning exports tend to increase, the average long-term growth rate of GDP under projection I and to reduce the same under projections II and III the magnitude of such changes in long term growth rates of GDP under the over-optimistic assumption regarding capacitty utilisation remains within a range of ± 0.12. The range becomes lower as one assumes lower and lower extents of capacity utilisation. Thus, the impact of the aforementioned changes in the values of θ_c and θ_1 on the alternative growth rates of GDP may be considered to be insignificant.

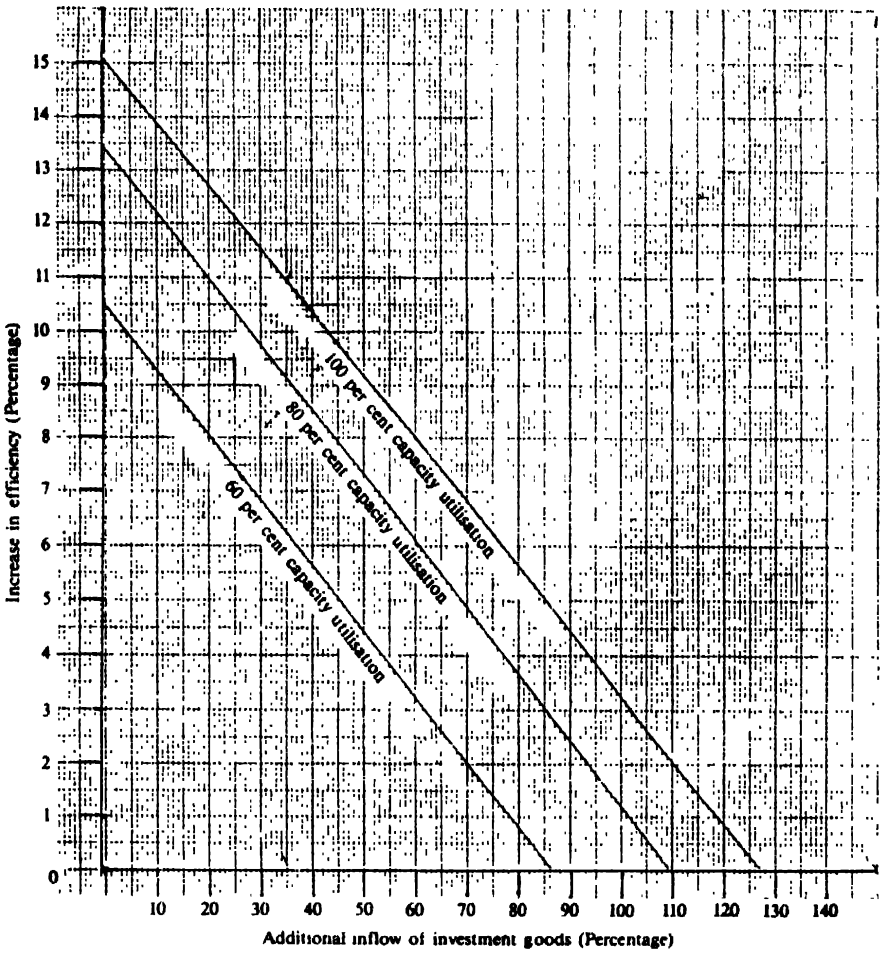
The last mentioned point has the following significance for the growth of the Indian economy under the NEP: Even if it is assumed that investment goods will not be exported and that an augmented proportion of consumer goods output will be exported in the coming years, the resulting augmented growth of export earnings cannot suffice to restore the higher growth path associated with alternative assumption I if market forces reduce the

Table 7: Time Pattern of GDP Growth Recovered

Time Period	100 Per Cent Capacity Utilisation		80 Per Cent Capacity Utilisation		60 Per Cent Capacity Utilisation	
	Case A_1	Case B_1	Case A_2	Case B_2	Case A_3	Case B_3
1992-1997	6.49	6.54	5.12	5.16	3.76	3.78
1997-2002	6.55	6.53	5.15	5.14	3.77	3.76
2002-2007	6.51	6.49	5.12	5.11	3.75	3.73
2007-2012	6.48	6.45	5.10	5.08	3.73	3.72
1992-2012	6.50	6.50	5.12	5.12	3.75	3.75

Notes: A_1: 5 per cent increase in efficiency; 84.48 per cent increase in capital goods inflow.
B_1: 10 per cent increase in efficiency; 42.88 per cent increase in capital goods inflow
A_2: 5 per cent increase in efficiency; 68.48 per cent increase in capital goods inflow
B_2: 10 per cent increase in efficiency; 27.52 per cent increase in capital goods inflow.
A_3: 5 per cent increase in efficiency; 44.8 per cent increase in capital goods inflow.
B_3: 10 per cent increase in efficiency; 3.84 per cent increase in capital goods inflow.
Other assumptions:
$\theta_c = 0.078603174$, $\theta_1 = 0.00$ $\lambda_1 = 0.40$, $\lambda_2 = 0.60$, $K_1 = 0.64$.

FIGURE 4: GROWTH RECOVERY LINES



value of λ_t to the level assumed under alternative II or if λ_t and K_t together are reduced to the level of alternative III.

Growth Recovery

Achieving a high rate of growth of GDP is and has always remained a declared objective of Indian planning. As a matter of fact, the declared growth target of 5.6 per cent per annum for India's Eighth Five-Year Plan (1992-97) is higher than the rate of growth projected according to our assumption I, i e, under an assumed 80 per cent capacity utilisation (Table 4b), that has been termed by us as 'optimistic'.

If it is assumed that as a result of the NEP the values of λ_t and K_t will be reduced to the levels of assumption III and that such reduction will be irreversible during the coming years, then under any specific assumption regarding the extent of capacity utilisation, our two-sector framework shows that India's GDP may move along the lowest of the three time paths given by the three alternative projections.

In view of India's declared objective of achieving a high rate of growth, the need for finding ways and means of restoring the potential high growth path given by projection I cannot be underestimated. Even if it is assumed that λ_t and K_t will remain at the low levels of alternative III, one may think of certain other ways of achieving a recovery of the high growth path of projection I. The possible ways include: (1) increasing the inflow of capital goods from abroad with the help of foreign aid or foreign private investment and (2) increasing the incremental output-capital ratios by increasing the level of efficiency in resource use and the extent of capacity utilisation.

As a matter of fact, the government has recently been reiterating the importance of both the above mentioned ways as an inseparable part of the NEP. But in order to assess the feasibility of restoring the high long-term growth rate of projection I in the above mentioned ways, one needs to have quantitative knowledge regarding the extents to which the inflow of capital goods from abroad and the domestic efficiency in resource use will have to be augmented.

Quantitative knowledge regarding the requirements of increasing domestic efficiency in resource use and of additional inflow of investment goods from abroad in order to restore the high long-term growth rate of GDP as under alternative assumption I, may be obtained from variational exercises under our two-sector framework, by finding out the different combinations of the required percentage increase in the sector-specific incremental output-capital ratios and the required additional inflow of investment goods from abroad as percentage of the normal levels of imports which are assumed to be balanced every year by the current export earnings.

The percentages of additional inflow of investment goods from abroad corresponding to different stipulated percentages of efficiency increase required for achieving a recovery of the high long-term growth rates (Projection I) of GDP under different assumptions regarding the extent of capacity utilisation, have been presented in Table 6. These results show that the two different means of restoring the high growth rate have an area of substitutability between them. If the stipulated percentage increase in efficiency is higher, the requirement of additional inflow of investment goods becomes lower and vice versa.

As a matter of fact, if one plots the two sets of corresponding percentages of Table 6 in a graph, the points obtained under any specific assumption relating to capacity utilisation are found to be located on a straight line. From Figure 4, it can be seen that the lines obtained under the assumptions of 60 per cent, 80 per cent and 100 per cent capacity utilisation are higher and higher in that order.

We have termed these lines as Growth Recovery Lines in the sense that they show the ranges of substitutability between the two distinct approaches or measures which may be employed with a view to recover a targeted long-term growth rate. Under any given assumption regarding the extent of capacity utilisation, it is also possible to obtain lines, of which the higher ones correspond to higher targets of long-term growth rates. In this sense a line of this type might also be termed as an Iso Growth Line.

Table 7 presents the compound average annual growth rates of GDP for four consecutive five-year periods starting from 1992 under alternative assumptions relating to the extent of capacity utilisation and under alternative assumptions regarding parametric variations such that the long-term (1992-2012) growth rate under each assumption regarding capacity utilisation equals the long-term growth rate under projection I despite the fact that in each case the values of λ_t and K_t are the same as those assumed under projection III. The alternative packages of parametric variation used for obtaining

clude, (A) a 5 per cent increase in efficiency in domestic resource use together with an appropriate extent of additional inflow of capital goods from abroad expressed as percentage of imports which were assumed to be balanced every year by current export earnings and (B) a 10 per cent increase in efficiency and the corresponding percentage of additional inflow of capital goods from abroad.

From Table 7, it may be seen that under all the three different assumptions relating to capacity utilisation in case A, the growth rate reaches a height in the second five-year period and then tends to decline gradually whereas in case B, the growth rate tends to decline gradually from a peak attained during the first five-year period. But it should also be noted that these differences in the trends of growth rates cannot be regarded as significant enough.

If however, one compares the growth rates of Table 7 under any given assumption regarding the extent of capacitty utilisation with the corresponding growth rates under projection I as presented in Tables 4(a), 4(b) and 4(c), a much more significant difference in the time pattern of growth may be observed. Whereas under projection I of these tables, the growth rate is the lowest during the first five-year period and rises gradually during the subsequent periods, the recovered growh rates of Table 7 for all the five-year periods remain more or less in the proximity of the recovered long-term average annual growth rates concerned.

If one makes a bold assumption that the prospects of income increase of the individual members of the country depend in a direct way upon the rate of growth of GDP and if it is further assumed that the people of the country have time preferences such that they assign a greater utility to the prospect of a growth of their incomes in the nearer future than the utility which they assign to the prospect of income increase of the same order in a more distant future, then, a recovered growth path of Table 7 may appear as preferable to the corresponding growth path under projection I, as given in Tables 4(a), 4(b) and 4(c) in the sense that the present discounted value or utility of the stream of GDP for the people may be larger in the case of growth recovered.

However, even if one does not question the assumptions on which the above proposition is based, one cannot overlook the question of feasibility of such a growth recovery from a practical point of view. The results presented in Table 6 show that significant increases of capital inflow from abroad or of domestic efficiency in resource use or a combination of both will be necessary for raising the long-term tion III to the high level of projection I. Such a task does not appear to be too easy on account of the following reasons.

Recovery of the high long-term average rate of growth requires that the augmented levels of efficiency in domestic resource use and inflow of capital goods from abroad be maintained over the entire time horizon of perspective planning. It has been pointed out earlier that additional inflow of capital goods from abroad, over and above imports which are balanced by the country's own export earnings may be possible either with the help of foreign aid or through increased foreign private investment.

So far as foreign aid is concerned, its availability depends on various political factors at the international level and it may not be wrong to suggest that the financing of capital goods imports from abroad by foreign aid may be associated with a considerable extent of uncertainty. As regards foreign private investment, the uncertainty involved may be even larger, because the nature and extent of foreign private investments depend on considerations relating to changing and unpredictable market conditions.

As regards domestic efficiency in resource use, it is a more or less well known fact that in India the existing incremental capital-output ratios are unduly high in many industries as compared to other developing countries so that there seems to remain a scope for improvement. Such improvement may in theory be possible if production may be rationalised by achieving a technically more efficient combination of the productive factors, by increasing managerial efficiency and by increasing the extent of utilisation of capacities where such a scope remains.

But the question which remains to be answered is, whether the steps taken as part of the NEP can suffice to achieve a tangible improvement in efficiency or not. Turning once again towards general facts concerning the Indian economy, one finds that the reasons behind the existing lack of efficiency and incomplete utilisation of capacities of production broadly include imperfections of product as well as factor markets adversely affecting the profitability or viability of productive ventures, and a general lack of consistency or inter-industrial balances in investment pattern resulting in structural and financial bottlenecks in public as well as private sectors. One can also find a host of different political and social forces which not only influence economic decisions taken at different levels but also often stand in the way of implementation of decisions that are made. We have a history of industrial sickness not only in the case of significant extent in the private sector. Therefore, whether the NEP with its magic wand of increasing privatisation and liberalisation of industries can lead to the augmentation of domestic efficiency in resource use to an extent which may make possible a growth recovery, remains an open question.

Notes

[Ashok Rudra kindly went through a draft of this paper and suggested some improvements. But the present writer stands wholly responsible for the flaws which may still remain.]

1 A detailed and analytical account of the Nehru-Mahalanobis strategy may be found in Chakravarty (1987).

2 This model was found to be similar to a model by a Russian economist, Fel'dman, whose work had remained unknown outside Russia until a translation of the same was published by Domar (1957).

3 For a more detailed discussion of these assumptions see Rudra (1975).

4 On this point Rudra (1988) made some observations.

5 Computer programming and graphics were done respectively by S N Ojha and Balaram Bhattacharya of the Visva-Bharati Computer Centre. The present writer also acknowledges the help and co-operation of Utpal Ray, a research scholar in Atomic Physics (Visva-Bharati) in modifying the computer programme.

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Female Beedi Workers in a South Indian Village

A Dharmalingam

While beedi work provides a guaranteed wage, secured employment and some degree of economic independence to rural women, it exposes them to economic and sexual exploitation. This study examines the working conditions in the beedi industry and the exploitative relations of production in a southern Tamil Nadu village.

LABOUR force participation in non-agricultural sectors is a crude measure of economic well-being. India, though still largely agrarian, has experienced substantial increase in its manufacturing and service industries, particularly cottage industries. Consequently, class and caste configurations have changed. Though caste has not lost its significance in relation to 'power', class has become increasingly independent of caste. This change was due to economic and political changes in the wider society [e g, Beteille 1965; Epstein 1973] Beteille (1965:223) points out that the creation of large-scale non-agricultural employment has been an important factor in altering the class structure of Indian society.

This paper examines female working conditions in a non-agricultural industry, beedi-making. The issues are explored in the context of a village, Kaviyur (a pseudonym), in southern Tamil Nadu. The study shows that beedi work provides full-time employment and some degree of economic independence to women. However, it is at the cost of economic and sexual exploitation, and being exposed to several health hazards. Further, the exploitative relations of production in beedi-making has given rise to conflicts at both the familial and societal level.

The Village

Kaviyur is situated in the southern district of Tirunelveli in Tamil Nadu, about 50 km west of the district headquarters. A survey was conducted between June and October 1987 to collect social, economic and demographic data. The total population at the time of survey was about 1,500. The majority of the village population (85 per cent) belonged to the nadar caste and about 10 per cent were Harijans. The selection of the village is largely based on my familiarity with the village population and history. I was born and grew up in the study village, so I can understand some of the complex social, cultural and demographic issues with much more clarity than would have been possible for an outsider. The past with which I compare the present is reconstructed through not only my experience as an object in the village but also through what I have been told as a subject by the elders about their past work, gender relations and so on.

A quasi-anthropological approach in the tradition of micro-demography (*a la* Caldwell) was employed to collect quantitative and qualitative information [see Caldwell et al 1988; Caldwell 1985]. This approach complements the large-scale survey method in trying to understand the nature of a phenomenon at the micro-level [Axinn et al 1991; Smith 1989]. Following this method, data were collected from all workers through structured and unstructured questions, participant observation, and in-depth probing. Qualitative descriptions are presented with the intention to give insights into the various social processes and conflicts in a changing socio-economic reality.

How is a Beedi Made

Beedi is a crude cigarette in which tobacco is rolled in a small beedi leaf ('tendu') and tied with a cotton thread. A beedi is smaller and less expensive than a cigarette; it is considered the poor man's cigarette, and is smoked only by men in Kaviyur and in rural Tamil Nadu in general. Beedi is made out of the materials supplied by the beedi contractor, viz, beedi leaves, tobacco, and thread. There is a predetermined amount of beedi leaves for a given amount of tobacco. The worker has to produce a fixed number of beedis for the given amount of tobacco. The contractors are flexible only in the amount of thread bundles supplied.

The four main steps involved in producing a beedi are rewinding the thread, cutting the beedi leaves, rolling the beedi, and folding the beedi-head. It may be useful to give a brief description of these four stages to understand how the different aspects of beedi-making facilitate the creation and maintenance of division of labour; to highlight the high labour-absorption capacity of this occupation, particularly important is the opportunity to employ the children and elderly in beedi-making,[1] to bring out the exploitative relationship between employers and workers, and that between the assistant workers and main workers; and to understand the health hazards resulting from the monotonous nature of the work.

Learning beedi-making in fact starts with rewinding the thread. Rewinding the beedi thread does not require any skill. The job involves just rerolling the thread from a small bundle onto an object, usually an empty match box or a pulley-type object. It takes about 30 minutes to an hour to rewind a bundle of thread; it has to be done almost every second day. This job is usually done by the biginners, and also by other family members of the main beedi workers.

Cutting beedi leaves is the next stage. Beedi leaves are cut into small pieces to the measure of the 'aasi'. The plate is placed on the leaf which is cut with scissors; normally, an average-sized beedi leaf can be cut into four pieces. Cutting the beedi leaves requires some skill, because the maximum number of pieces cut from a beedi leaf depends partly on the acquired skill of the worker.

Rolling the beedi leaf with tobacco is the main job in the beedi-making process. Three main steps are involved in making a perfect beedi. First, tobacco is to be rolled in the leaf and tied with the thread. The pinch of tobacco rolled into a beedi must be accurate enough, failing which the beedi may be too small or too big. Such abnormal beedis will not only be rejected by the contractor but the worker will also incur loss because the big beedis consume more tobacco than the required level. In order to rectify the loss the worker has to buy extra tobacco from the market. While rolling the beedi between the thumbs and forefingers enough pressure must be applied to make the top end of the beedi appear broader than the bottom end. Halfway through the rolling, the beedi-bottom is folded in to prevent the tobacco leaking; the beedi is tied when it is fully rolled. Then the beedi-head (or top), which is wider than the bottom, is folded in to complete the making-process. The main worker can stop after rolling and tying; the folding of the beedi-top can be done by another person. Beedi assistants who are in the learning process are mainly employed in folding the top. The completed beedis are bundled, each bundle consisting of 16 beedis, which are then taken to the contractor.

Participation in Beedi Work

Almost all beedi workers in Kaviyur are females, though this is not the case elsewhere in India. However, beedi work is now attracting more males in Kaviyur as they have started realising the hardship involved in other jobs like brick-making. Of the 346 beedi workers in 1987 only five were males. It appears, however, that in the interior part of the district a significant proportion of men are said to do beedi work, mainly because there were no other employment alternatives. The popular view in Kaviyur, however, is that beedi work is for females not for males'. For the present analysis beedi workers are divided into two groups: main beedi workers and beedi assistants. Beedi assistants are usually members of a beedi worker's family whose main activity is not beedi-making or who are under full-time training.

There were 346 main beedi workers and 39 beedi assistants (Table 1). These beedi assistants do not include those assistants who are in school during the school time. Over 80 per cent of the main beedi workers have so far worked for less than 20 years, which indicates the emergence of the beedi industry as a main source of employment only about 20 years ago. This is also reflected in the concentration of workers in the age groups below 40 years. Moreover, when beedi work was introduced on a larger scale it seems to have attracted the younger women, about 70 per cent of the main beedi workers aged over 20 years started this before reaching 15 years of age.

Beedi-making involves skills which need to be imparted gradually. Girls are introduced to beedi-making when they are as young as four years old. Table 2 shows that about half the beedi assistants were introduced to the work when they were between five and 10 years, and the other half were introduced between 11 and 15 years of age. It takes about five years to learn the full beedi-making process. By the time a girl can undertake beedi-making on her own, she will be over 10 years. Assistance in beedi-making is only a transitional stage prior to becoming a main worker. Before being able to get a new passbook[2] a worker has to work in joint account with another main beedi worker; this is like the period of apprenticeship. In most cases the main worker in the joint account is the mother, sister or another relative. The main service expected from the main worker in the joint account is to supervise and advise the learner and point out the errors in her beedi work. It takes about five years, after a girl has started making beedi herself, to get a separate passbook. About 14 per cent of main beedi workers are aged less than 16, which indicates that these girls started the job at an early age and also the significant economic contribution the young beedi workers make to the well being and survival of their families.

Employers

Beedi work is not new, though relatively recent, it has been there in Kaviyur for about 60 years. However, only a few people did beedi work in the past. It was a source of employment for people who did not know how to do agricultural work; for women married to salary earning husbands who did not what their wives to do agricultural work; or for those whose mothers were beedi workers. In addition, beedi work was not rewarding in the past, and there was no beedi contractor in the village to supply the required raw materials. To get these it was necessary to travel two to four miles, and sometimes even 30 to 40 miles.

To make beedis in the past (or we may call them 'old beedis'), no instrument of 'measure' was used to cut the beedi leaves. The beedi worker had to cut a leaf into pieces of approximate size, the result of which was that beedis varied in thickness and length, and also the beedi leaves were not used efficiently. The tobacco supplied was not pounded into very small pieces; and cocount fibre was used to tie the rolled-beedi. The top of the rolled beedi used to be first folded in and then a special small iron stick called 'pottu kuchi' was used to shape the beedi top.

A major change occurred in the shape and content of the beedi in the early 1970s (we may call them 'new beedis'). In making the new beedi a small iron plate (approximately 7.5 cm by 4 cm, locally called aasi) is used to cut the beedi leaves with a pair of scissors. The tobacco supplied is already powdered into very small pieces; instead of the fibre, a thin coloured cotton thread is used to tie the beedi. In short, the new beedi is thinner, a little more expensive, and of better quality than the old beedi.

While there were only two beedi companies in the study area before the 1970s, with the introduction, and increased demand for production, of the new beedi, many new companies have sprung up to provide employment. Of the two old companies there is only one left now. Contractors or agents of about six beedi companies are involved in employing the available labour in Kaviyur to produce beedi. Of the six, two companies' contractors employ about 80 per cent of the beedi workers in Kaviyur.

Except for one small agent, none of the major contractors was from Kaviyur. In the 1970s beedi workers went to the neighbouring town, about 3 to 4 km to the south, to get the beedi materials because no branch was established in Kaviyur during that period. In the early 1980s, however, the number of beedi workers in Kaviyur reached a level high enough to justify opening a new branch. The main employer in the region, the George Beedi Company (a pseudonym) opened a branch in Kaviyur. Since then, other companies have followed suit, either opening a local branch or, for those with fewer workers in Kaviyur, employing agents to bring in the raw materials every day.

The contractors obtain the necessary raw materials from the employers' main office located in the district headquarters. As the contractors have more than one branch in their area, the raw materials are stored at a bigger branch and are brought

Table 2: Distribution of Main Beedi Workers by the Age at which they Started Doing Beedi Work, Kaviyur 1987

(Per cent)

Age at Which Started (Years)	Current Age of Main Workers	
	≤20 Years	≥21 Years
5-10	42	29
11-15	54	41
16-20	4	12
21 +	—	18
All	100	100
Number of workers	120	226

Table 1: Age Distribution of Beedi Workers and Assistants in Kaviyur, 1987

Age	Main Workers (Per Cent)	Assistants (Per Cent)	Years Worked	Main Workers (Per Cent)	Assistants (Per Cent)
5-10	1	20	0-5	29	100
11-15	13	33	6-10	27	—
16-20	20	—	11-15	18	—
21 30	41	3	16-20	10	—
31-40	15	13	21 +	16	—
41 +	10	31			
All	100	100		100	100
Respondents	346	39		346	39

to small branches daily. For Kaviyur, the materials are brought about once a month and stored in Kaviyur itself. The contractors have to produce a fixed number of beedis for the amount of raw materials supplied and in turn they impose the same conditions of production on the beedi workers.

The contactors who supply the raw naterials employ one checker, one accountant, and one or two helpers to weigh the raw materials. The number of these ancillary workers employed by the contractor depends on the number of beedi workers in a particular branch. There are about five employees, all males, in the Kaviyur branch of the George beedi. The beedi workers have no direct or indirect contact with either the contractor or the main employer. However, the contractor is approached by the village leaders if the behaviour of any company employee towards workers is unacceptable.

The beedi workers' direct contact is with the employees at the branch particularly the accountant and checker. The nature of the relationship with the checker, who can also be an accountant, is important for the beedi workers because he can reject the beedis on the grounds of poor quality. He checks, at random, one or two beedis in a couple of bundles. If that one beedi taken from a bundle is not well made then the whole bundle is destroyed; sometimes a worker may lose from one-third to three-fourths of the beedis submitted. The worker in such a situation not only loses the wage for the work done but also the raw materials used to make the beedis that were destroyed. If the worker does not make up for the rejected beedis by the end of that particular week, the cost of tobacco, beedi leaves and thread required to make the number of beedis rejected will be subtracted from the total wage earned for that week.

The next important person is the one who weighs the raw materials. If he does not like a worker, he can weigh the materials in a way that will result in a deficit. To meet the deficit the worker has to buy the raw materials in the open market at a high price which is sometimes more than the wage received for the number of beedis made out of it. The weigher can also create a deficit to the worker by supplying damaged beedi leaves which are normally at the centre of the beedi leaf bundles.[3] If the worker points out the damaged leaves immediately and demands a substitution, then she succeeds only if the weigher is in a good mood or the worker's family is an influential one. If the beedi leaves supplied were so much damaged that every beedi worker gets some of them, there is no substitution at all for anybody. This time the explanation of the employees, on the order of the contractor, is: "we cannot do anything about it because that is the way we received the leaves from the headquarters. If you do not like this then you can stop working until we get good leaves". With no alternative work the beedi worker is forced to accept whatever the beedi contractor gives.

To minimise the number of beedis rejected, the shortfall in beedi leaves and tobacco, and damaged beedi leaves, the beedi workers must maintain good relations with the employees, particularly the beedi checker and weigher. For an average beedi worker, particularly an unmarried one, the effective means to attain this result is to use her 'feminine' characteristics. Some girls smile at them and chat with them in sex related metaphors, while the checker is checking the beedi and the weigher is weighing the raw materials. Some even deliberately let their clothes slide down from the breast so as to distract the male employee's attention. Beyond this, some invite the employees to their houses for a cup of tea after working hours to chat for hours; some employees are clandestinely invited at the weekend to the lake or river which is about two kilometres south of Kaviyur. Thus the main employer and the contractor do not have any direct relationship with the beedi workers. Only the employees of the contractor and the workers are involved in the exchange of raw materials for beedis. The beedi workers, by exposing themselves even to sexual exploitation, attempt to minimise their economic exploitation at the hands of the contractor and main employer.

Though, in general beedis produced by all companies look almost the same, they are distinguished from one another mainly by the colour of the thread used to tie the rolled beedi. There is not much difference in the wage rate between them. But shortage of materials is less prevalent for some companies than for others. More frequent short-falls of beedi leaves and tobacco are experienced by the workers of beedi companies which have many employees. Another difference is that only the major beedi companies pay a bonus; the payment of bonus also depends on the nature of the contractor: if he is a big-time contractor then he cannot evade the bonus rules but a subcontractor is more likely to keep the bonus to himself.

Every year new workers are added to the existing workforce. The beedi companies are able to attract them despite the exploitation.[4] There are several reasons for the increased participation of women in beedi making. First, compared to the 'old beedi' companies, the new ones pay good wage; they also pay a bonus, which was unknown in the past. Some new ones even give an amount of 'holiday pay' as a proportion of total wage earned during a year. Secondly, and most importantly, there have been attractive changes in the mode of payment; the wage is nowadays paid weekly and the bonus is paid twice a year. Under the old system it was usual to go through months, and sometimes years, of delay and uncertainty before the wage was paid; now wages are paid every Saturday without fail. A guaranteed wage and secure employment, even if it is assumed to be only for a short period, have facilitated short-term planning and budgeting for some families. In the well-off families where daughters are beedi workers, their wage is saved regularly for special purposes like marriage, to buy land, temple festival expenses and so on. Thirdly, women and girls themselves are interested in beedi work because the wage they earn gives them some power that can be exercised in their own interest; they get reasonable treatment from their families for their economic contribution; they have access to money to buy cosmetic items and can also ask their parents legitimately to buy good clothes. They have some degree of control over their marriage arrangement. Finally, population growth may also have influenced the large-scale expansion of beedi work in Kaviyur and the surrounding areas.

Extent of Beedi Work

There is no doubt that women in Kaviyur work longer hours than men. In addition to their wage earning beedi work, women also do all the household work. Despite the importance of household work, it is an irony that women's contribution in the domestic sphere is not recognised as productive by the menfolk.

The beedi companies can provide the material for six days a week; Sunday is the official rest day. The information relating to the extent of beedi work for main workers and assistants is given in Table 3. About one-third of the beedi workers and assistants worked all the six days during the reference week; in fact, one beedi worker reported having worked for seven days, with a few hours' break on the rest day. Almost one-half of the workers worked five days; another one-fifth worked for four days; and only about five per cent of the workers for less than four days.

Usually a worker starts between five and six o'clock in the morning, and continues her work until the day's beedis are submitted. If the time of submission is in the morning then she forgoes her breakfast; if in the afternoon then lunch is forgone, because if she does not submit at the time she has been allotted, her

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beedis will not be accepted for that day, which means that she is unemployed for the next day. Failure to submit beedis every day brings, undoubtedly, the wrath of her parents or husband; so beedi workers are forced to sacrifice their meals, to accomplish their task in the interest of their family.

It is practically impossible to find a beedi worker who submits her beedis, prepared only by herself. In order to keep up to the submission time allotted, almost all beedi workers resort to borrowing beedis from those whose submission time is either very late or very early. Those who have to submit in the afternoon lend their beedis to those who submit in the morning who in turn make the beedis for the afternoon-goers. If the borrowed beedis are rejected by the contractor for poor quality, quarrelling between the workers is certain with long-term consequences. Generally, a beedi worker gets only about half-an-hour to one hour break during the day. Even this short break is possible only when the worker has returned the borrowed beedis. The relentless tasks involved in beedi making are reflected in the number of hours worked in a day. About 90 per cent of the main workers have worked on an average over 10 hours a day (Table 3); about a quarter worked more than 13 hours; and there was one worker who worked about 16 hours a day and seven days a week. The work intensity becomes more extreme when the assistants' labour is also taken into account as majority of the assistants seem to work for eight to nine hours every day.

Sometimes even the main beedi worker, beedi assistant, and co-beedi worker network fails to make it possible for a beedi worker to submit her beedis at the time allotted to her. Fear of the wrath of the parents if the number of days not-submitted is not kept at a minimum, coupled with the economic necessity forces some beedi workers to borrow beedi bundles from professional beedi lenders. Professional beedi lenders are usually old women, mostly widows, who do not know how to make beedi. They get some bundles of beedi made either by their daughters or by paying a professional beedi worker. Then they lend these beedi bundles with a fixed daily interest rate. For every ten bundles (each bundle consists of 16 beedis) lend, they get one bundle interest every day. Some workers have to go to the professional beedi lenders despite the high interest; in the process some are trapped, never able to come out.

The pressure exerted on the beedi worker from different angles sometimes leads to tragic incidents. On the one hand a worker has to submit her beedis on time because of the strict regulation of the contractor, and, on the other hand, the worker cannot undertake a lesser amount of beedi work because of pressure from family or because of her own necessity. Caught between these forces a worker at times resorts to borrowing from professional beedi lenders.The actual experience of a child beedi worker is worth mentioning to illustrate this situation.

A 12-year-old girl who was a main beedi worker had been borrowing from professional beedi lenders for some time. She had to do that because it was her parents' (particularly mother's) order to submit a fixed amount of beedis every week, failing which she would be beaten. Whenever there was a short-fall she borrowed from a professional beedi lender; her debt, along with the interest, gradually increased to about 100 bundles of beedis. Realising that the girl would not pay the beedis back, the lender informed the girl's parents. Fearing that her mother would beat her, the girl went to the forest and committed suicide by eating the seeds of a wild plant. The victim's parents were not driven by poverty to enforce rigid rules on their daughter. This case highlights the conflict between various interests caused by the nature of social and economic changes in the society. There is a growing inconsistency between the aspirations and the means available to achieve them. Every family in Kaviyur wants to earn and accumulate wealth, because that is the measure of social status; gone are the days when a person's or a fimily's superior social status could be achieved through only good deeds and through inheriting the family status. To earn economic and social status all available resources including children are put to use; even then not all can realise their goals because of the unequal relationships in the process of production and distribution. The victims are the weak and the beneficiaries are the exploiters. In the child suicide case mentioned above, while the girl's brother (two years elder) was in school, she had to earn money not only to give profit to the beedi company and beedi lender, but also to give prestige and status (primarily a function of wealth) to her parents. Of course, her own future depended on how much she could contribute toward her future dowry and jewellery. Despite the double exploitation a woman or a girl is exposed to, her individual earning has given her some power and status within the family which was unthinkable, particularly among the landed class, in the past when the main source of livelihood for the village was agriculture.

Given such a great demand on beedi workers, particularly on young beedi workers, for economic and social status, it is not surprising that ceaseless work is expected throughout their lifetime. A great majority of the beedi workers worked throughout the year except when there were supply constraints; 82 per cent of the beedi workers and 70 per cent of beedi assistants worked for 12 months during the reference year (Table 3). A maximum of 10 to 15 days a year were lost because of non-availability of supplies. Supply-induced work-absence occurs during the monsoon season, when there is no sunlight to dry the beedi-head, which needs to be done within a day or two from when the beedis were collected from the beedi workers.

Everyday activities of beedi workers include not only beedi making but also the household work. Most of the unmarried beedi workers fetch water from the village well or water tap every evening for about an hour; some of them do only cooking.

TABLE 3: WORK INTENSITY OF BEEDI WORKERS AND ASSISTANTS, KAVIYUR 1987

Hours Per Day	Workers (Per Cent)	Days Per Week	Workers (Per Cent)	Months Last Year	Workers (Per Cent)
1 Beedi workers:					
≤9	11	≤3	5	1-6	1
10	12	4	20	7-11	17
11	15	5	46	12	82
12	36	6	29		
13+	26				
All	100		100		100
Respondents	346		346		346
2 Beedi assistants:					
≤4	8	4	15	1-6	7
5-6	24	5	55	7-11	23
8	44	6	30	12	70
9	16				
10+	8				
All	100		100		100
Respondents	27		27		27

Note: Of the 39 beedi assistants 12 were irregular workers. The information provided in the table, therefore, is only for regular assistance

A substantial proportion of the beedi workers (56 per cent) do all household work including cleaning the house and cattleshed, fetching water and cooking. If there are more than one beedi worker, household work is divided between them. After an interval in the evening of about two hours, beedi workers resume their work around 7.30 and work until 11 or 12 o'clock at night. This routine work continues for six days a week and only on Sunday do they get some time to go to the nearby river or lake, to take a bath and wash their clothes.

The only entertainment available to a beedi worker is the pleasure of occasional visits to a cinema. It is becoming common among many beedi workers to go to movie shows in the neighbouring town at least once a fortnight; some even visit once a week. They go to the cinema either on Saturday nights or on Sunday afternoons. This can be observed more among the poor women of the nadar caste and women of the scheduled castes. Among the rich and middle-class families, girls are allowed to go to movies only if they are accompanied by a male or elder family member. After the brief break during the weekend the routine work starts again on Sunday evening.

Wage Levels and Working Conditions

In view of the nature, and the amount, of work done, the workers' wage seems to be low compared to, say, agricultural work. Even after working about 13 hours a day, an average beedi worker earns only about Rs 8, i e, less than one rupee per hour. But a woman agricultural labourer is paid about seven rupees for eight to nine hours work. Most of the beedi workers earn between Rs 40 and Rs 60 a week. About one-quarter, who are mostly the beginners, earn a wage of less than Rs 30; about 10 per cent of the workers earn between Rs 60 and Rs 100. These extreme cases are usually assisted by one or two beedi assistants. The assistants do the cutting of the beedi leaves and cornering of the beedi-head which enables the main beedi worker to roll a greater number of beedis. Table 4 shows that 92 beedi workers had assistants (84 workers had one and eight had two assistants). Though about 90 workers received some assistance, only about 60 per cent of them felt that thier assistants deserved a wage for their work. Other assistants' contribution was either infrequent or too little to entail a wage. The amount payable, according to the main workers' assessment, varied from Rs 2 to Rs 45 per week. In any case, the average wage payable to an average assistant varied between Rs 10 and Rs 20 (Table 5), which was in fact not much different from the actual wage attributed to those who were identified as beedi assistants in the survey.

An average worker can make 800 beedis a day at the piece-rate of Rs 10 per 1,000 beedis; this entails a wage of Rs 8 per day and about Rs 50 per week (excluding the bonus). The main beedi worker's earnings, however, have to be adjusted for the expenditure in order to arrive at the amount that will eventually go to the worker. The main source of deduction is the money spent to cover the short-fall in raw materials. Theoretically, the material given by the contractor should be enough to produce a given amount of beedis; in practice, however, this does not occur. Table 5 shows that only 8 per cent of the beedi workers reported that they did not face any short-fall in the raw materials supplied by the employer. Only about 36 per cent of the workers spent less than Rs 5 per week to buy tobacco and beedi leaves in the open market; others spent between Rs 6 and Rs 20 per week; the average was Rs 7 per week. If the average wage earned was Rs 50 per week, substraction of Rs 7 from it would give a net wage of only Rs 43. This Rs 43 was the wage for six days' work, with each day's work ranging from 10 to 14 hours.

The seriously-felt grievance among the beedi workers was the short-changing in supply of tobacco and beedi leaves. It becomes particularly deleterious for those who have spent 40 to 50 per cent of their wage to cover the loss. Some of those who suffered to that extent have confronted the contractor but only to be denied even the meagre wage. One respondent reported that she fought alone with the contractor to rectify the short-fall which resulted in her losing the job permanently.[5] The beedi-contractors are aware that the short-fall in the raw materials supplied is not due to uneconomical use by the workers. The contractors do not attempt to deal with the short-fall problem because they know that if Kaviyur people refuse to accept their conditions, they can always move their industry to another village.

However, daughters, wives or sisters of powerful and rich men in the village get special treatment from the beedi agents. A woman can also receive favourable treatment if she presents herself as a sex object rather than an honest worker to the males who weigh the beedi leaves and tobacco and check the beedis. A beedi worker is more likely to face not only short-fall in raw materials but also more rejection of beedis allegedly for poor standard, if she is not either from a privileged background or possessing physical attraction but not willing to be exploited by the contractors and their agents.

Despite the expenditure involved in meeting the short-falls, an average beedi worker can earn about Rs 150 a month, or between Rs 1,500 and Rs 2,000 a year. An ordinary beedi assistant can earn as much as Rs 600 a year. This gives an incentive to commit girls to this work when they are very young. Even school-going girls are put to this work in their free time. They are lured into this work by pocket money of 50 paise to one rupee a week and promise of good clothes, bangles, etc. Children from poor families are particularly vulnerable to the economic pressures.

In addition to the wage, beedi workers are also paid a bonus and 'holiday pay'. They are paid on the basis of the total wage earned during a year: the greater the total wage earned over a year the larger the bonus. However, not all beedi companies and beedi contractors pay a bonus. Some beedi companies do pay but the bonus does not reach the workers, instead it ends in the hands of the contractor; this is more likely when the contractor has few workers, say 10 to 20. Most workers for the small contractors are either beginners or irregular workers who tend to be content with their wage and employment op-

Table 4: Some Information Related to Beedi Assistants, Kaviyur 1987

	Per Cent
1 Use of any beedi assistant	
Yes	27
No	73
All	100
	(346)
2 Number of assistants	
One	91
Two	9
All	100
	(92)
3 Assistant's relation to the worker	
Daughter	15
Son	4
Husband	25
Sister	18
Mother	34
Others	4
All	100
	(92)
4 Nature of assistance	
Cutting beedi leaves only	29
Cornering beedi heads only	23
Cutting and cornering	11
All work	25
Sometimes cutting leaves	12
All	100
	(92)
5 Whether the assistant deserves wage	
Too little work to pay	13
Can be paid	63
Sometimes help so no pay	24
All	100
	(92)

Note: Figures in parentheses are number of respondents.

Table 5: Money Spent During the Last Week to Meet the Short-fall of Beedi Materials, Kaviyur 1987

Money Spent (Rupees)	Beedi Workers (Per Cent)
1-5	36
6-10	40
11-15	16
No short-fall	8
All	100
Respondents	346

portunities, and also tend to be unaware of the bonus provisions.

The main beedi company and their contractors in Kaviyur do give a bonus and holiday pay. The 'holiday pay' seems to cover the wage for the official non-working days (in the survey, information on holiday pay was not collected separately but was included in the bonus). About 10 per cent of the beedi workers did not get a bonus because their beedi company did not have that system, and about 12 per cent did not obtain it because they either did not have their own passbook or obtained a separate passbook recently. The average bonus obtained was around Rs 200 per year; about 10 per cent of the workers received less than Rs 100, another 10 per cent more than Rs 500, and the bonus for the rest was in the range of Rs 200-400.

The occasion of payment of bonus is a matter of joy for the beedi workers because in most cases this money goes towards savings which are usually meant to buy either saris or gold ornaments for the working girl or woman. However, owing to the nature of structural changes that have been effected by the macro-economic changes, the strategies adopted by the families to make use of the bonus vary according to their class status. The bonus is spent mainly on the working girl among the middle and rich families. Among poor families also there is a lot of pressure to spend the bonus money on their daughters who are beedi workers, to prove that they also care about their hard-working daughters; however, despite their love and intention to make their daughters equal to other girls, some parents have to succumb to other competing economic pressures, which many a times have long-term consequences on the relationship between the parents and the working daughters. Daughters stop trusting that their parents love them. Eventually individual parents become the scapegoats for the economic and social injustices in the society. Structural forces unleashed by the prevailing social relations of production are reduced to individuals' characteristics which are products of such relations.

Health Hazards

In addition to the economic exploitation of the beedi workers, they are also exposed to occupational health hazards. The nature of the work is so monotonous that after a few years the work becomes mechanical. There is no room for creativity or innovation. As the worker gets older her fingers become numb; unlike a young worker, an old worker has to make three or four attempts to roll a beedi. The nature of beedi work is such that a worker cannot take her eyes off it even for a moment if she is to make the required number of beedis for a day. "This takes its toll of people's eyesight" as they grow older (*Economic and Political Weekly*, 1978: 1177). As the beedi worker is seated at the same place and in the same position for hours, there is no body movement involved, except the monotonous movement of the two forearms. This results in backache, legache, headache, piles and rheumatism. A more serious threat to the health of beedi workers is posed by the inhalation of tobacco fumes to which the workers are continuously exposed. Studies from other parts of India have shown a high incidence of tuberculosis, asthma, allergy and continuous cold among the beedi workers. A study conducted in Kerala showed that about 36 per cent of the workers reported suffering from one or more diseases, and 95 per cent of these believed that it was caused by tobacco fumes [Mohandas 1980]. A trade union leader, who was himself a beedi worker, from Maharashtra reported that 'more than 50 per cent of the workers eventually die of TB or asthma' (*Economic and Political Weekly* 1974: 947).

Tobacco can affect not only the health of the workers themselves but also that of others in the family because, as beedi work is carried out at home, the raw materials are kept at home in small open boxes. Sometimes the same box is used to carry rice and eatables from the grocery shop. When entering a house it is hard to avoid smelling tobacco. The tobacco pieces left on the saris of the beedi workers may fall into their eyes when the saris are hung up. Sometimes toddlers, without knowing the difference between tobacco and eatables, put their hands into the tobacco box and then into their mouths. For instance, when a 40-year old beedi worker was being interviewed, the baby in her lap started crying for no apparent reason; the mother tried to put the baby to her breast thinking that it was hungry; the baby still continued crying with no interest in breast milk. The mother beat the child to stop its crying but it did not desist. After pausing for a few moments and watching the face of the crying child, the mother realised that there must be something in the baby's mouth; she put a finger into its mouth and took out two small pieces of tobacco.

Though all the beedi companies are supposed to provide medical facilities, only the largest company, George beedi, in Kaviyur, seems to have provided such services in the nearby city, about 30 km away. The workers have access to the medical establishment the company has arranged, which is usually located in the district headquarters. No reimbursement is made if medical service was obtained from other hospitals or doctors; no paid sick leave is available.

Despite the fact that it was the duty of the beedi company to inform the workers of the availability of free medical services, they have not done so; only about 37 per cent of the beedi workers in Kaviyur have heard of such facilities. But a majority did not know where those facilities were available. Some of those who knew the place said that it was far away from the place of work; thus it was necessary to give up a day's work to go to the company hospital but a poor worker cannot afford to forgo a day's work. It is, therefore, not surprising that only five workers so far have obtained medical services from the beedi company's hospital.

The beedi workers are exposed to economic, sexual and health exploitation. Not only is their wage low compared to the amount and intensity of work but also their life expectancy is shortened because of their proneness to the diseases which emanate from tobacco and the nature of the work. Not just the worker alone but the entire family is vulnerable to these beedi-work-related diseases and exploitation.

Conclusion

Under conditions of increasing population the expansion of beedi industries have provided employment opportunities for women. The process of beedi production is such that it can absorb the labour of children, adults and the elderly. They work longer hours for meagre wages. They are exposed to economic and sexual exploitation and health hazards. Female workers are under constant pressure from both the employer and their parents/husbands. Poverty and exploitation succeed in pitting daughters against parents. Eventually individual parents become the scapegoats for the economic and social injustices in the society.

There is conflict between various interests caused by the nature of social and economic changes in the society. There is a growing inconsistency between the aspirations and the means available to achieve them. Every family in Kaviyur wants to earn and accumulate wealth, because that is the measure of social status; gone are the days when a person's or a family's superior social status could be achieved through only good deeds and through inheriting the family status. To earn economic and social status all available resources including children are put to use; even then not all can realise their goals because of the unequal relationships in the process of production and distribution. The victims are the weak and the beneficiaries are the exploiters. The social relations in Kaviyur have been undergoing changes in response to changes which have occurred in the economic context of the society. The adaptation of individuals to such social changes is likely to vary depending on their family class position and gender.

Notes

[This is the revised version of a part of the author's doctoral dissertation. The author is grateful to Jack Caldwell, Geoffrey McNicoll and Gavin Jones.]

1 Economic participation of children in beedi and brick industries is dealt with elsewhere See Dharmalingam 1991 Chapter 4

2 The passbook contains information about the amount of tobacco taken from the agent, the number of beedis submitted, the wage earned and the bonus paid Obtaining a separate passbook signifies the recognition of the worker as the main beedi worker both by the contractor and by fellow workers A separate passbook is issued only after the assistant has demonstrated her skill to the beedi contractor

3 Beedi leaves are issued in bundles of 100 to 200 grams

4 For an early account of beedi work and the nature and extent of exploitation in different parts of India, see *Economic and Political Weekly*, 1974 and 1978, Avachat 1978, Mohandas 1980; Bhatty 1981, Kannan 1988 Chapter 5 See also Zaheeruddin 1985

5 In contrast, beedi workers in the neighbouring state of Kerala are politically and organisationally well mobilised (for details see Mohandas 1980 and Kannan 1988)

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Democratic Movements

N Ravi

"APCLC stands unique among all the democratic organisations in the country in that it has kept itself away from condemning private violence. The high prestige that it enjoys has a lot to do with this fact", said Randhir Singh in his inaugural address at the seventh conference of APCLC in April 1991. He also warned that if democratic organisations let the private violence issue creep into their agenda either under the pressure of the state or the media, then they would not be satisfied till the organisations unequivocally support the state.

In a space of two years after the seventh conference, APCLC seems to be losing that uniqueness, though not the prestige. Letting the private violence issue creep into the agenda has not dragged it into supporting state violence, but it has led it to condemn the killing of K S Vyas, one of the most notorious and brutal police officers Andhra Pradesh has ever seen ('Reflections on Koyyuru' -*EPW*, March 20-27).

This response first deals with the specific instance of the Koyyuru kidnapping. The second and more important one is the question about what should be the relation between radical and democractic movements and human rights movement and related questions.

I

The whole kidnap episode turned into a drama with statements of the government and also of the APCLC that Ramanna and Ranadev, whose release was sought by the People's War (PW) group were unwilling to join the movement and hence the kidnapped be released. While Ramanna has never given such a statement till date (which the APCLC mistakenly believed he has) Ranadev gave such a statement after 40 to 45 days of mental torture by the most notorious SP of Warangal district, D T Naik. Ranadev was still alive because he was arrested by the Maharashtra police in Nagpur and not by the Andhra Pradesh police. The Andhra Pradesh police sought his custody through the Nagpur court. Therefore, it was hasty on the part of APCLC to have issued the statement, without cross-checking Ranadev's intention.

The lies told by the government began here and the All India Radio, Hyderabad was its mouthpiece broadcasting these lies. The PW squad did not believe the statements of APCLC and insisted on the release of Ranadev. After the APCLC intervened, they wanted that Ranadev's intention be verified personally or through any reliable person. The option was Kaloji. The government agreed to send Kaloji to meet Ranadev and Kaloji himself expressed his willingness. But then the collector of Warangal sent word to Kaloji that there was no hurry and he could wait for some more time But more drama was to unfold. AIR, Hyderabad sprang a surprise on February 8, by broadcasting Ranadev's voice, in the midst of the regional news bulletin at 6.45 a m, appealing to the PW squad to release the kidnapped as he was reluctant to rejoin the movement for personal reasons.

Almost everyone believed that this would make the PW release the kidnapped. Everyone thought that PW had made a fool of itself by demanding the release of one who did not want to rejoin its ranks. But the PW squad still insisted that either they hear from Ranadev personally or through a reliable person. A day later it became clear that it was not Ranadev's voice, and that his voice had been mimicked. Perhaps it is the first time in the history of AIR that a mimicked voice has been broadcast as the real voice in its news bulletin. The prestige of the government received a severe blow and it was compelled to allow Kaloji to contact Ranadev. Ranadev categorically expressed his willingness to join the PW. This put the government in a fix. Even then government dilly-dallied and contradictory statements were issued Meanwhile PW set free four of the kidnapped and retained only Balaraju and Chinnam Raju. The government moved Ranadev from Warangal jail to Vizag jail and declared that now the kidnapped be set free as its demand had been met as though the demand had been for a change of jails! The PW set free Balaraju and Chinnam Raju also after a few days. Though PW did not succeed in securing the release of Ranadev, it was successful in exposing the government and raising the debate about the difference in the way it dealt with the kidnap of IAS officers and of Sudhir Kumar and the 'unwillingness' expressed by Ranadev. The debate that PW raised about the discrimination that the government was showing in getting Balaraju released was also an added factor.

APCLC has intervened in two kidnap incidents. The first time when IAS officers were involved and the second time when an MLA was involved In between these two, there have been a hundred-odd kidnaps. APCLC did not intervene in these cases and at best only made appeals for their release. The government also did not approach the APCLC. In some instances PW let the kidnapped off without having their demands met and in some other cases the government acceded to their demands. In Sudhir Kumar's case the government got him released by bringing the naxals in by air. What does all this indicate? The government acted only depending on the political compulsions—whether it was in Gurthedu or now—and the intervention or non-intervention of the APCLC would have had the same result. In the present case also had the prestige and the credibility of the government not suffered, it is doubtful if it would have released Ranadev. Moreover, at times it appeared as though the APCLC was speaking on behalf of the state, in its anxiety to get the kidnapped released and end this episode peacefully. The APCLC has obviously not been able to put pressure on the state as it could on the PW. This will develop new contradictions in the functioning of civil liberties organisations.

While intervening is one aspect, during the course of intervention APCLC has raised another debatable point when it says that it is intervening in the issue because the life of a tribal leader, a good leader, was involved. Balaraju is a tribal. All right. But he is an MLA. The question is—is an MLA not responsible for repression on the people? That too a ruling party MLA? He is being made out to be a good and popular person. Popular! Maybe true. Because now-a-days it is rare to see MLAs in their constituencies more than twice or thrice in the term of five years, and when an upcoming MLA with political aspirations meets the people, that too on foot in the forests, he will definitely become popular. If he gets a few jobs for the unemployed youth or performs such acts as building one or two schools or

gets bore wells dug, etc, he is bound to become popular in present-day politics for all have forgotten that these are the duties of the people's representatives. But is that all? What about the repression on the tribal villages of the agency area or Koyyuru for that matter? If it is to be attributed to the police, then should the MLA not question it in the assembly? Does any record prove that he had done so? If MLAs, collectors and other IAS officers are not accountable for the repression then who else is? If the state is such an abstract thing then all the exploiters are also part of the system and hence people are left to fight against such an abstract thing. That is the reason why though the 'good' MLAs like Balaraju are not directly responsible for the repression, as people's representatives they must be held accountable.

II

The argument is a different one when it is argued that "kidnapping should not be a form of struggle" With the above declaration APCLC has entered into an area which it has hitherto avoided consciously. If APCLC once enters into the argument whether kidnapping should be a form of struggle or not, the logic will extend and it will be compelled to give judgment on other forms of struggle adopted by different revolutionary groups as well. For instance, one may press for giving judgment whether "annihilation of class enemies" should be a form of struggle or not? Is that form an undemocratic one or not? The burning of buses causes inconvenience to the people, especially of rural areas and hence is it not undemocratic to burn buses? Where is line to be drawn for the civil liberties groups? The above questions are not hypothetical ones and they are very much part of the ongoing debate in the revolutionary circles of Andhra Pradesh They are bound to creep into the arguments of the civil liberties groups. The impending danger is that they have to enter into confrontation with the radical and democratic or any other such movements (which adopt violent forms), which eventually will strengthen state violence and provide a justification for it. Moreover there is no end to such an argument about such forms of struggle and hence the acceptable forms to all would eventually be the ones that the law, that is the bourgeoisie law (or is it the semi-feudal and semi-colonial law?) permits. If that is going to be the case then civil liberties activists, who hold the view that people have a right to choose any form of struggle including the violent ones, and who form the majority of the civil liberties activists cannot be accommodated in such groups. That is going to be the crisis for the civil liberties organisations in future if they enter into arguments on the forms of struggle.

Another debatable point is the statement "we do not see any difference between a kidnap and illegal custody by the police". Here is an attempt only to raise certain questions of practical importance and leave the theoretical aspects of whether it is Marxian or unMarxian or whether it is democratic or undemocratic to the theoreticians of a better calibre.

At present, around 10,000 agricultural labourers, peasants/workers and revolutionary activists are languishing in Andhra Pradesh jails waiting for trial under TADA. This number is swelling day-by-day. It is most common to find each person booked for two to ten offences, all invariably under TADA. With the repeated rejection of bail petitions and the appellate court being out of reach of the petitioners many are incarcerated without trial for years together. In Telengana districts it is very difficult to find a lawyer to argue these cases. Narra Prabhakar Reddy was killed by the police for boldly coming forward to do this job. Even then sympathisers and lower cadre of the activists may be able to find one or other lawyer at least for monetary benefits and may be able to come out after undergoing the legal routines of repeated rejections of bails, etc, for two to three years. This is virtually impossible for the arrested leaders. (All are not Nelson Mandelas to come out on democratic protest). But then is the APCLC able to do anything to get the detained released by democratic protest? No. This is not to blame APCLC. It is only to recognise the limitations of APCLC or any other such organisation for that matter. Then what should the revolutionary movements or parties do to secure their release? If one can provide any alternative, then one can question the kidnaps. Before that as long as nobody is able to provide an alternative, equating the kidnaps and illegal custody is absolutely undemocratic to say the least.

If one fails to see this difference then that will end up not just in equating the kidnap and illegal custody, but the extension of it will end in condemning the killing of such notorious police officers as K S Vyas. Earlier in 1985, when SI Yadarigi Reddy of Kazipet police station was killed by PW, the APCLC firmly maintained that its business was not to involve itself in the matter of counter violence. But now Vyas is described as a "fairly well known police officer" and it is also stated that "nobody would support this act of violence". The question is—does this 'nobody' include the families of the 17 revolutionaries for whose encounter deaths Vyas was personally responsible when he was the SP of Nalgonda district? Does this 'nobody' also include the thousands of families of Telengana districts whose male and female members were killed, whose houses were razed to the ground and whose bodies have taken the blows of the butts and lathis of the police and whose grain and clothes were thrown into wells when Vyas was the chief of the'Grey Hounds'? Does this 'nobody' include the families of more than 40 missing revolutionaries whose disappearance was perfected in the Latin American way when Vyas was the chief of the anti-naxalite squad? Vyas's notoriety and brutality were well-documented in the *EPW* by Balagopal. Though the exposure of the state violence is still the principal activity of the civil liberties organisations, if the present stand of the APCLC continues, then with the sharpening of class struggle and class war APCLC would be pushed to a position to equate the violence of both the sides and such condemning of the counterviolence drives those fighting masses away from civil liberties organisations, would it strengthen the democratic rights movement?

These contradictions between the civil liberties movements and radical movements are arising because the civil liberties organisations in their effort to shed the image being projected by the state that they are the mouthpieces of radical movements, and in their anxiety to perform the 'transforming role' and to "enlarge the field of operation of human rights work", are trying to attain an autonomous role, autonomous from the movements and not just from the radical parties. In this process they are giving the term 'state' an abstract meaning without any relation to time and space. To perform the transforming role in order to see that "in the process of attainment of egalitarian society concern for human rights is not violated", and to check the radical movements from "reproducing the brutalities practised by the exploitative order", the acts of both the state and the revolutionary masses and parties are judged without any consideration of time and space. This is definitely not the way to understand things dialectically.

Some of the 'acts' of the radical parties and the people in the specific case of Andhra Pradesh have definitely raised doubts among sympathisers of the movement and the civil liberties activists that the movement was becoming anarchic and "repro-

ducing the brutalities of the state". Here is an attempt to locate them in relation to time and space. Important among those acts are the so-called 'excesses' in the people's courts that were in full swing during 1990-91, in the occupation of the 'patta' lands, which swept the districts of Warangal, Karimnagar and Nizamabad and in the indiscriminate kidnaps, which numbered to about 100-150 during the same period. Other acts like derailment of trains, burning of Kakatiya bogie, blowing of a private jeep, etc, are not discussed here because the PW apologised for these and some of them are admitted to have been accidents. People also have come to understand these as accidents only.

In the early 1970s and 1980s when organisers used to go to villages and try to explain the true essence of 'land to the tiller' and ask the landless labourers to come forward to till even the patta land of the landlords, the feudal ideology would not permit landless labourers to even acknowledge that the lands of the landlords was also 'their' land. They would only say, "Anna! (as the naxalites are called in Telengana, meaning 'brother') this is the own land of the Dora (landlord) isn't it? It is sinful to occupy that land. We would look for some 'sarkari' land or some forest land". Twenty years of class struggle has raised their consciousness so that they realise that only tillers have the right to the land. So, immediately after the second conference of the Rytu Coolie Sangham (Peasants and Workers Association) in May 1991 at Warangal, without even a call by the party, land occupations began to take place everywhere taking even party circles by surprise. The party must have seen the enormous potential of the people, practically, for the first time. This is the most significant cause for the subsequent brutal repression that was unleashed on the masses of Andhra and continues even today. Nevertheless, the matter of significance here is that the 20 years of the movement achieved what it was striving for—making the masses realise that the land belongs to the tiller and the tiller can get it only by struggle. In the same way, in people's courts the power was realised by the masses. The seeds of 'state power' which, the revolutionaries were saying, would flow from the barrel of the gun, were sown in the masses. They have tasted it for the first time for however short period it may be.

When the masses realised their own enormous power, they also wanted their writ to run. So, whenever the village sangham leaders were arrested they would resort to all sorts of protest. They would organise dharnas, picketings, processions and also kidnap the government officials, bank employees, mandal revenue officers, mandal praja panchayat presidents, etc, demanding the release of their comrades. Sometimes this extended to the attenders and such lower cadres of government officials also. Only in a few instances did they take away higher officials. They got their leaders released within a day or two. This kidnapping of lower officials raised much unrest among the middle class sympathisers and they started saying "gun is controlling politics", "party has lost control over its cadre", etc. But, how is one to understand all this 'anarchy'? First of all, the realising of the power by the masses must be seen in the background of the heavy repression that they experienced from 1985 to 1990. They perceived that period as 'police raj' and hence now it is 'their raj'. The sarkar harassed them all these days. Now it is their turn to harass the sarkar or at least not allow the sarkar to harass them. So, is it the seed of 'anarchism' or of 'proletarian dictatorship'? It may look far-fetched to call it proletarian dictatorship, but it is definitely one-in-the-making. Twenty-five years of struggle has been successful in bringing three foremost things into the consciousness of the people. They are the right of the tiller to the land, the concept of capturing the state power, and the realisation that the government is not 'their' government.

The last factor played an important role when even attenders, electrical linemen and all other types of lower officials were kidnapped on some occasions. It is true that all these people fall in the 'friends of revolution' category. But to the masses they are part of the establishment and especially so because most of them are corrupt and hence qualified to be kidnapped. Here, it should be borne in mind that almost all of these kidnaps were done by the militants, that is, the village youth of the mass organisations and also that none was killed in any of the incidents. They somehow saw the difference between the true enemies and these people of the establishment but yet the division seemed to be blurring. It is exactly here that the masses should be guided by the revolutionary leadership to understand and to solve the contradictions among the people and the united front that they have to forge in order to make the revolution successful. When they understand these two things then the excesses in people's courts, the occupation of land of even some middle class peasantry on some occasions and other wrong ways of dealing with contradictions among the people will get automatically solved. But would it not take time? If it has taken 25 years to raise the consciousness to the present state, does it not take at least part of that time to make them understand the above stated things? Meanwhile if the civil liberties organisations decide to point out the faultering of the movement they can do so with the interest of furthering the democratic consciousness of the fighting masses but not with a view that the civil liberties movement and organisations are autonomous, because the latter concept is more likely to lose the dialectical understanding and the tendency will be to have a condemning tone rather than one of suggestion. When the leadership itself deals with the village-level contradictions it is likely to reduce the excesses, but when the initiative is left to the masses then such anarchy is bound to be there in an anti-feudal struggle, but their experience will leave in them a higher level of consciousness. The first option is absolutely impractical and even if it is practical, which is preferable? Trying to pull the reins from back whenever there is a potential danger of 'excess' occurring as did Gandhi after Chaura Chouri incident or just guiding the masses to correct themselves while primarily leaving the initiative to them? Which is the correct mass line? Which is 'centralising the power'? Which will "guarantee the future egalitarian society"? The initiative of the masses or superimposed directions from the leadership? In criticising the human rights violations that have occurred in the Soviet Union and other east European countries, is the primary criticism of having the initiative to the masses or of holding back people and sending directions from the centre?

When one decides on this, it should make things clear for civil liberties activists to decide on what "transforming role they have to perform" and what "relation they should have with the radical movements".

For the Attention of Subscribers and Subscription Agencies Outside India

It has come to our notice that a large number of subscriptions to the *EPW* from outside the country together with the subscription payments sent to supposed subscription agents in India have not been forwarded to us.

We wish to point out to subscribers and subscription agencies outside India that all foreign subscriptions, together with the appropriate remittances must be forwarded to us and not to unauthorised third parties in India.

We take no responsibility whatsoever in respect of subscriptions not registered with us.

MANAGER

ABN·AMRO Bank N.V.

(Incorporated in the Netherlands with Limited Liability)

BALANCE SHEET OF INDIAN BRANCHES AS ON 31ST MARCH, 1993

	Schedule	As on 31-03-93 Rs. in 000's	As on 31-03-92 Rs. in 000's
CAPITAL AND LIABILITIES			
Capital	1	150,000	150,000
Reserves and Surplus	2	378,451	234,235
Deposits	3	3,044,083	3,463,417
Borrowings	4	1,555,093	540,402
Other Liabilities and Provisions	5	336,877	260,585
TOTAL		5,464,504	4,648,639
ASSETS			
Cash and Balances with Reserve Bank of India	6	568,601	416,750
Balances with Banks and Money at Call and Short Notice	7	117,282	35,243
Investments	8	1,231,414	1,678,431
Advances	9	3,157,337	1,963,093
Fixed Assets	10	135,879	63,528
Other Assets	11	253,991	491,594
TOTAL		5,464,504	4,648,639
Contingent Liabilities	12	10,008,567	6,422,049
Bills for Collection		2,456,298	429,112
Notes to Accounts	17		

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST MARCH, 1993

	Schedule	As on 31-03-93 Rs. in 000's	As on 31-03-92 Rs. in 000's
I. INCOME			
Interest earned	13	750,726	544,082
Other Income	14	217,908	150,884
TOTAL		968,634	694,966
II. EXPENDITURE			
Interest expended	15	453,410	307,405
Operating expenses	16	155,759	88,243
Provisions and contingencies		198,914	149,989
TOTAL		808,083	545,637
III. PROFIT			
Net profit for the year		160,551	149,329
Profit brought forward		152,050	69,840
TOTAL		312,601	219,169
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		32,110	29,865
Transfer to Other Reserves		48,050	37,254
Transfer to Head Office		16,335	–
Balance carried over to Balance Sheet		216,106	152,050
TOTAL		312,601	219,169
Notes to Accounts	17		

Per our report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants
Sd/-
Sanjiv N. Shah
Partner

Bombay, July 19, 1993

Sd/-
Ashok Kapur
General Manager India

ABN·AMRO Bank N.V.

(Incorporated in the Netherlands with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1993

	As on 31-03-93 Rs. in 000's	As on 31-03-92 Rs. in 000's
Schedule 1—Capital		
I Amount of Deposit kept with the RBI under Section 11(2)(b) of the Banking Regulation Act 1949	77,200	44,500
II Amount brought into India by way of start-up Capital for a New Branch	150,000	150,000
Schedule 2—Reserves and Surplus		
I Statutory Reserves (Reserve u/s 11(2) (b) (ii) of the Banking Regulation Act 1949)		
Opening Balance	51,245	21,380
Additions during the year	32,110	29,865
	83,355	51,245
II Capital Reserves		
Opening Balance	3,741	3,741
Additions during the year	–	–
	3,741	3,741
III Revenue & Other Reserves (Head Office Reserve)		
Opening Balance	27,199	23,699
Additions during the year	48,050	3,500
	75,249	27,199
IV Balance of Profit	216,106	152,050
	378,451	234,235
Schedule 3—Deposits		
A. I Demand Deposits		
i) From Banks	2,360	4,661
ii) From Others	507,005	431,321
II Savings Bank Deposits	136,112	95,836
III Term Deposits		
i) From Banks	355,912	1,539,092
ii) From Others	2,042,694	1,392,507
	3,044,083	3,463,417
B. I Deposits of branches in India	3,044,083	3,463,417

	As on 31-03-93 Rs. in 000's	As on 31-03-92 Rs. in 000's
Schedule 4—Borrowings		
I Borrowings in India		
i) Reserve Bank of India	1,272,600	391,300
ii) Other Banks	281,973	148,619
iii) Other Institutions and Agencies	–	–
II Borrowings outside India	520	483
	1,555,093	540,402
Secured borrowings included in I & II above – Nil		
Schedule 5—Other Liabilities and Provisions		
I Bills payable	109,385	75,414
II Inter-office adjustments (net)	48,419	–
III Interest accrued	48,653	61,728
IV Others (including provisions)	130,420	123,443
	336,877	260,585
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand (including foreign currency notes)	11,579	9,363
II Balances with Reserve Bank of India		
i) In Current Accounts	557,022	407,387
ii) In Other Accounts	–	–
	568,601	416,750
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
i) Balance with Banks		
a) In Current Accounts	18,584	557
ii) Money at Call and Short Notice		
a) With Banks	93,706	30,000
	112,290	30,557
II Outside India		
In Current Accounts	4,992	4,686
	117,282	35,243

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1993

	As on 31-03-93 Rs. in 000's	As on 31-03-92 Rs. in 000's
Schedule 8—Investments		
I Investments in India in		
i) Government Securities (Market Value Previous year Rs. 1,199,623)	1,031,046	1,200,685
ii) Other approved Securities (Market Value Previous year Rs. 51,633)	51,225	52,700
iii) Shares	236	236
iv) Debentures and Bonds (Market Value Previous year Rs. 374,200)		342,000
v) Others	148,907	82,810
	1,231,414	1,678,431
Other Investments include:		
Commercial Paper	146,090	80,000
Unit Trust of India Initial Capital (at cost)	50	50
Unit Scheme 1964 Repurchase price Rs. 3,600; Previous year Rs. 3,961	2,767	2,760
	148,907	82,810
Schedule 9—Advances		
A. i) Bills Purchased and Discounted	1,849,126	1,848,034
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	1,797,756	779,375
iii) Term Loans	197,313	65,461
	3,844,195	2,692,870
Less: Bills rediscounted	686,858	729,777
	3,157,337	1,963,093
B. i) Secured by Tangible Assets	1,988,157	1,038,615
ii) Covered by Bank/ Government Guarantees	1,156,705	829,672
iii) Unsecured	699,333	824,583
	3,844,195	2,692,870
Less: Bills rediscounted	686,858	729,777
	3,157,337	1,963,093
C. I Advances in India		
i) Priority Sector	755,611	226,890
ii) Public Sector	144,251	35,551
iii) Banks	82,900	46,871
iv) Others	2,861,433	2,383,558
	3,844,195	2,692,870
Less: Bills rediscounted	686,858	729,777
	3,157,337	1,963,093

	As on 31-03-93 Rs. in 000's	As on 31-03-92 Rs. in 000's
Schedule 10—Fixed Assets		
I Premises		
i) At Cost as on 31st March of the Preceding Year	29,208	29,208
ii) Additions during the Year	54,976	
iii) Depreciation to Date	(6,512)	(3,869)
	77,672	25,339
II Other Fixed Assets (including Furniture and Fixtures)		
i) Written Down Value as on 31st March of the preceding Year	38,189	11,041
ii) Additions during the Year	32,706	35,253
iii) Deductions during the Year	(819)	(66)
iv) Depreciation for the Year	(11,869)	(8,039)
	58,207	38,189
	135,879	63,528
Schedule 11—Other Assets		
I Inter Office Adjustments (net)	–	214,415
II Interest Accrued	93,094	80,440
III Advance Tax/Tax Deducted at Source Less Provisions	16,812	44,447
IV Stationery and Stamps	4	7
V Others	144,081	152,285
	253,991	491,594
Schedule 12—Contingent Liabilities		
I Claims against Bank not acknowledged as Debts	102,198	5,080
II Liability for Partly Paid Investments	4	4
III Liability on Account of Outstanding Forward Exchange Contracts	6,718,493	5,054,995
IV Guarantees given on behalf of Constituents		
i) In India	952,579	204,485
ii) Outside India	308,334	123,978
V Acceptances, Endorsements and Other Obligations	1,926,959	1,033,507
	10,008,567	6,422,049

ABN·AMRO Bank N.V.

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1993

	As on 31-03-1993 Rs. in 000's	As on 31-03-1992 Rs. in 000's
Schedule 13—Interest Earned		
I Interest/Discount on Advances/Bills	538,053	322,623
II Income on Investments	147,413	126,826
III Interest on Balances with Reserve Bank of India, Other Inter-Bank Funds	58,703	93,717
IV Others	6,557	916
	750,726	544,082
Schedule 14—Other Income		
I Commission and Brokerage	51,000	23,158
II Net Profit/(Loss) on Sale of Investments	1,489	(14,012)
III Net Profit/(Loss) on Revaluation of Investments	(2,375)	616
IV Net Profit on Sale of Land, Buildings and Other Assets	281	15
V Net Profit on Exchange Transactions	163,400	138,747
VI Miscellaneous Income	4,113	2,360
	217,908	150,884
Schedule 15—Interest Expended		
I Interest on Deposits	243,770	186,689
II Interest on Reserve Bank of India/Inter-Bank Borrowings	103,195	33,903
III Others	106,445	86,813
	453,410	307,405

	As on 31-03-1993 Rs. in 000's	As on 31-03-1992 Rs. in 000's
Schedule 16—Operating Expenses		
I Payments to and Provision for Employees	39,845	31,139
II Rents, Taxes and Lighting	22,046	9,470
III Printing and Stationery	6,316	4,551
IV Advertising and Publicity	4,665	5,863
V Depreciation on Bank's property	14,510	9,374
VI Directors' Fees, Allowances and Expenses	10	71
VII Auditors' Fees and Expenses	207	197
VIII Law Charges	936	368
IX Postage, Telegrams, Telephones, etc.	12,074	6,094
X Repairs and Maintenance	15,986	9,605
XI Insurance	2,818	1,393
XII Other Expenditure (incl. H.O. & Regional Office expenses Rs. 16,598 Previous Year Rs. nil)	36,346	10,118
	155,759	88,243

Schedule 17—Notes Forming Part of the Accounts for the Year ended 31st March, 1993

1. Principal Accounting Policies

A. Transactions involving foreign exchange:

(a) Assets and liabilities in foreign currencies are translated at the rates ruling at the end of the year specified by the FEDAI, except for Pakistani Rupees which are translated at book rates.
Outstanding forward exchange contracts, which are disclosed as contingent liabilities, at the contracted rates.

(b) Outstanding forward exchange contracts are revalued at the rates of exchange specified by the FEDAI as at the end of the year and the resulting profit or loss on revaluation is accounted for.

B. Investments:

The bank's investments in Government and State Bonds and other approved securities are marked to market based on quotations in the "Daily Official list of the Stock Exchange, Bombay". Investments for which quotations are not available from this source are carried at cost.

C. Advances:

(a) The management has classified all its loans/advances in accordance with the guidelines issued by the Reserve Bank of India, and based on its judgement sets aside specific provisions at not less than the Reserve Bank of India guidelines for each classification. This provision for doubtful advances is made to the satisfaction of the auditors.

(b) Advances are stated net of specific provisions in respect of doubtful debts.

(c) Interest income on non-performing advances is recognised on recovery and settlement.

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D. Fixed Assets:
(a) Fixed assets are stated at cost less accumulated depreciation.
(b) Depreciation has been provided at the rates prescribed under the Income Tax Act, 1961, except in the case of vehicles which are depreciated at 25%.
(c) Depreciation on additions made upto 30th September has been provided for the full year irrespective of the date of additions and depreciation on additions made after 30th September has been provided at half the rates prescribed under the Income Tax Act, 1961 irrespective of the date of addition. No depreciation has been provided on assets sold/discarded during the year.
(d) Fixed assets include premises which have not yet been registered in the Bank's name although the Bank is in possession thereof.

E. Staff Benefits:
Provision for gratuity and pension benefits to staff (inclusive of provision for past service liability) has been made on the basis of actuarial valuation Separate funds for gratuity and pension have been created and the contributions payable (inclusive of contribution for past service liability) have been paid to the respective funds.

F. Net Profit:
The net profit disclosed in the profit and loss account is after:
(a) Provision for taxes on income in accordance with the statutory requirements.
(b) Provision for doubtful advances.
(c) Other usual and necessary provisions.

2. The bank has invested in 10,00,000 9% Indian Railway Finance Corporation (IRFC) Bonds (face value Rs. 100/-) 2010 on a client's account. The bonds have yet to be transferred into the bank's name pending settlement of disputes with other parties to the transaction and the amount has been included in Contingent Liabilities in Schedule 12 to the accounts.
The bank has filed a petition with the Company Law Board against the IRFC to transfer the bonds to the bank's name and an interim order has been passed by the Board directing the IRFC to deposit the interest accrued on the bonds in a separate interest bearing account till the dispute is settled.
The bank has been legally advised that it has clear title to the bonds.
No provision has been made for loss, if any, that may arise as a result of this transaction.
3. The bank has changed its accounting policy for valuation of investments. Investments in Government and State Bonds (excluding treasury bills) and other approved securities are marked to market based on quotations obtained from the "Daily Official list of the Stock Exchange, Bombay" and the resulting appreciation/depreciation in value is reflected in the profit and loss account. In the previous years, these investments were valued at cost.
Consequent to this change in accounting policy the profit for the year is lower by Rs. 2,239,993.
The management has used the rates quoted in the "Daily Official list of the Stock Exchange, Bombay" to mark the investments to market in the absence of generally acceptable sources from which the values of such investments could be obtained as of the balance sheet date.
4. Advances are stated net of bills rediscounted for the current and the previous year. The value of bills rediscounted has been separately disclosed and not netted off against the respective classification of advances as the details of such classification with respect to bills rediscounted are not readily availabe.
5. The bank has classified its entire portfolio of investments as current investments.
6. Head Office reserve account:
Head Office reserve account represents amounts remitted from overseas or transferred from unremitted profit and loss account towards the cost of acquisition/deposit for residential premises
7. The previous year's figures have been regrouped/rearranged wherever necessary.

Auditors' Report

We have audited the attached Balance Sheet of the Indian branches of ABN-AMRO Bank N.V. as at 31st March, 1993 and also the Profit and Loss Account of the Indian branches of the bank for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Sub-sections (1), (2) and (5) of Section 211 and Sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

We report as follows:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, and have found them to be satisfactory.
(b) The transactions which have come to our notice have been, in our opinion, within the powers of the bank.
(c) In our opinion, proper books of account as required by law have been kept by the bank so far as appears from our examination of those books.
(d) The Balance Sheet and Profit and Loss Account of the Indian branches of the bank dealt with by this report are in agreement with the books of account.
(e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian branches of the bank as at 31st March, 1993 and the Profit and Loss Account gives a true and fair view of the profit of the Indian branches for the year ended on that date.

For S. B. BILLIMORIA & CO.
Chartered Accountants
Sd/-
SANJIV N. SHAH
Partner

Bombay, July 19, 1993



We help Nature keep her true colours.

As reputed manufacturers of vital chemical products we've been in the forefront of promoting safety and environment protection.

Our commitment to preserve the environment, improve safety and enhance the health and welfare of our employees and the surrounding community manifests itself in every facet of our operations - right from our choice of technology to process selection and engineering design.

Effluent treatment plants at both our factories render liquid wastes harmless. Sophisticated pollution abatement equipment keep emissions within tolerance limits.

Our R&D wing develops products that are environment friendly.

It searches for ways to recycle waste and constantly evaluates the effectiveness of our own pollution prevention and control efforts.

We've designed education programmes to inform, train and encourage our employees to actively participate in achieving safety and environmental protection goals. Safety inspections and safety audits to assure continuous control. And, onsite and offsite disaster control plans to aid effective response to a wide range of emergencies.

It's all part of our integrated effort to keep our operations safe and harmless.

And to ensure that we help Nature keep her true colours.

Colour-Chem *In collaboration with Hoechst AG*

Hoechst

HTA 2886

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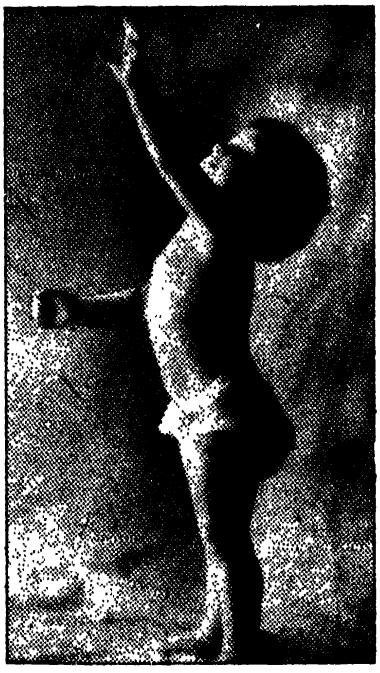
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ECONOMIC AND POLITICAL WEEKLY

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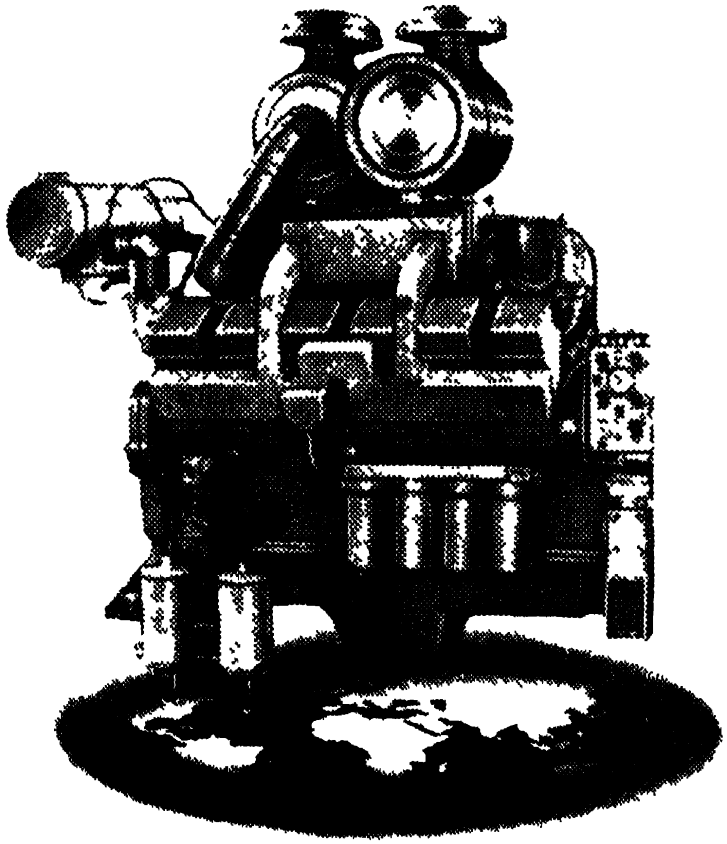
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Technology as Common Property Resource

In regard to innovations and their application, the issue of sharing of benefits among the different stake-holders—the inventor, the consumer, the manufacturer and the society at large—has to be rationally addressed. The theory of common property resources gives us a framework in which a balance can be struck among the interests of the different stake-holders. 1515

Nationality Formation and Capitalist Development

The dynamics that set in motion the forces of the pan-Indian national movement were also responsible for the beginning of the process of nationality formation amongst various cultural communities inhabiting different regions of the country. The backdrop was capitalism in colonial form for both these parallel processes. 1521

Backward March

The freedom to hire and fire, which was circumscribed through long and bitter working class struggles and by law, is now to be restored to employers and that, we are asked to believe by the proponents of economic reform, will increase employment. 1489

Sense on Education

The recommendations of the Education Commission appointed by the West Bengal government, while they are informed by a distinct moral commitment, are entirely pragmatic and firmly linked to the evolving situation in education at different levels. 1504

Harmful

An examination of the differences between the system of trade-related intellectual property rights proposed in the Dunkel draft and the existing patents system in India brings out clearly why adoption of the former will be detrimental to research and development and self-reliant growth. 1498

Washington Wisdom

Bangladesh's flood action plan is a good example of the kind of unrealistic and expensive schemes that agencies like the World Bank have pressed upon third world countries without a realistic appraisal of the experience within the concerned country. 1501

Panchayat Pointers

The results of the fourth panchayat elections in West Bengal show that while there are definite symptoms of a dangerous revival of right-wing politics, there are also growing prospects of a new phase of radical activism of the rural poor. 1491

Fiscal Secession

No, this time it is not the militants who want to take Punjab out of the union of India. It is the chief minister of the state himself, the Beant Singh of the famous Beant Singh-K P S Gill twosome. 1487

Clueless

Though economic reforms cannot succeed without agricultural reforms, the current reform programme has neglected agriculture. 1497

Landholding and Equity

Size of landholding is the most common basis for provision of relief measures in agriculture. But when new technologies are being introduced, this reliance on farm size may become questionable. 1533

Charmed Circles

In building a community of discourse in the social sciences in which as much importance is given to good work coming from Coimbatore as from Cambridge, the problem of egoism, though less visible, is far more threatening than that of invidious politics. 1538

LETTERS TO EDITOR

Making Sense of Murky Statistics

J C SANDESARA's article 'Modern Small Industry, 1972 and 1987-88' (February 6) displays his usual deft hand at extracting what little guidance is available from the murky official statistics that are available. Three additional considerations may be in order in viewing those statistics:

(1) The value of the rupees reported, if the reported wholesale and retail price indices are to be believed, declined considerably over the 1972-1988 period. The real value of the sums cited and any increase in amounts must thus be discounted (unless somewhere that I could not find in the article it is indicated that the data have been discounted). In particular, the growth in investments in fixed assets and production are overstated, as well as the growth in labour, but not capital productivity.

(2) The closure figures while apparently alarming are not so much so in comparative perspective. Carl Liedholm in some work published by the Gemini Project reports high mortality among African small business, the rule of thumb in the US has always been that three out of four new businesses fail in fairly short order. (Carl Liedholm and Donald Mead, 'The Structure and Growth of Microenterprises in Southern and Eastern Africa: Evidence from Recent Surveys', Gemini Working Paper No 36, Washington, DC: Gemini, March 1993 is the latest piece.) John Kenneth Galbraith even has a nice essay on the services these failing businesses perform for the economy.

Of course, India is neither Africa nor the United States. Indian small units are more heavily involved in manufacturing than those in the United States, and the wastage of fixed capital assets in some cases may be greater. Neither do the procedures for 'Small Business Exit' operate with the efficiency of the US Bankruptcy Laws, so the social costs may be higher, or in any case different.

(3) Finally, as Sandesara recognises the enterprises covered in these surveys are only a part, and a somewhat arbitrarily selected one of the enterprise universe. Better figures are available from the establishments and labour-force figures in the census. I have not been able to get data from the 1991 Census here, though perhaps it is available somewhere in India. The 1989 CMIE source which I was able to find easily, with 1980 data shows more than 18 million enterprises, almost five million of which are establishments (i e, have at least one employee), six million of which are in manufacturing, of which 1,00,000 were estimated to be in the factory sector. It is those figures, with which a comparison can be made from the 1991 Census figures when they are available, to have a sense of how the different segments of the enterprise universe fared during the 1980s.

THOMAS A TIMBERG

Arlington,
Virginia, USA

'Missing' Tribals in Bhandara

THE Committee for the Protection of Democratic Rights (CPDR), Bombay, has just filed a habeas corpus writ petition at the Nagpur bench of the Bombay High Court concerning three tribal youths of Deori tehsil, Bhandara district who were arrested by the police on February 14-15 between 12 midnight and 5 a m. Their whereabouts are not known till today. CPDR came upon this information during a one-day visit by two of our members, Suresh Rajeshwar and Bernard D'Mello, to the Deori tehsil of Bhandara district on July 12, a preliminary visit upon being informed of allegations of a step-up of police repression in the district.

Some observations of the team are as follows:

Parshuram Salame, a 36-year old Gond tribal of Khadki village was picked up by the police on February 14 at midnight. His whereabouts are unknown to relatives and fellow villagers even today. It is alleged that he was associated with the Naxalites. We spoke to some of the residents of the village. Parshuram is a poor peasant (having about two acres of land), married with four children (minors). We also came across details of arbitrary arrests under TADA and IPC sections, mainly in the Gond tola of the village. Yadavrao Maraskole (25 years), a Gond tribal was arrested by the police at 3 a m on February 15 at village Koyrai at his in-laws' place. He is since 'missing' according to close relatives. It is alleged that he had close links with the Naxalites. Maraskole is also a poor peasant-labourer household. Ashok Wadve (25 years) of Salegaon was picked up by the police at 5 a m on February 15 and is 'missing'. His mother Jamunabai, who went to make inquiries about him with the police was arrested and is said to be lodged in Bhandara jail. Wadve is also a poor peasant-labourer.

The struggles of the rural poor for a better livelihood continue to be crushed through illegal and brutal methods by the law and order machinery of the state. Legitimate democratic rights, indeed fundamental rights guaranteed under the Constitution like the Right to Freedom of Expression and Association, life and livelihood are being denied in the name of curbing 'Naxalism'. CPDR expects the state machinery to at least implement in practice the laws that it has framed and committed itself to. We were shocked to hear from persons in the villages which we visited that about three days after the specific arrests mentioned above, three dead bodies were brought to Deori market by the police. However, people were not permitted to identify the bodies. What could be the reason for resorting to such grotesque forms of repression? Is it to instil terror in the minds of the struggling poor that will resign them to a passive acceptance of the *status quo*?

BERNARD D'MELLO

Bombay

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ECONOMIC AND POLITICAL WEEKLY

Visible Hand

THE invisible hand writes, and, having written, moves on. This statement is however true only with respect to what has eventuated in Pakistan in the course of the past week. Apropos of its bigger neighbour, the hand that wrote the script last week was very much visible. The US administration chose to put the dying-to-be-a-vassal country, India, in its place. No nonsense about being friends and not masters; there was an unambiguous assertion of the master's right to decide which slaves play what roles. The Russians did not clear in advance with the United States their decision to sell cryogenic rocket technology to the Indians; they needed to be given a dressing down. The niceties of protocol were dispensed with. A spokesperson of the US department of state informed the world that the agreement the Russians had signed with the Indians stands cancelled. The formal transmission of the unhappy tidings from Moscow to New Delhi followed after a time-lag of 36 hours.

The various spin-offs are instructive and perhaps even entertaining, and illustrate the norms of behaviour lackeys have evolved for themselves. The ministry of external affairs in New Delhi has issued a garrulous press note; it has deeply regretted the backtracking on the part of the Russians. However, there is not even a half-word of condemnation of the gross American interference. Slaves can berate other slaves; questioning the conduct or judgment of one's daily provider is out of the question. Only a junior minister in New Delhi dared to indulge in a ranting statement taking the US government to task. He was obviously talking out of turn; he would be taken aside and duly reprimanded.

In Pakistan, the Americans have played their cards with much greater subtlety. The charade of democracy can be put up with only up to a point. The protagonists were overdoing it: the president dismissing the prime minister, a substitute cabinet hurriedly installed in consultation with the leader of the opposition, with her own husband adorning it, the Supreme Court choosing to re-install the dismissed prime minister, the provincial administrations too getting involved in the goings-on, a situation of eyeball-to-eyeball confrontation between the president, the prime minister and the leader of the opposition. The resulting confusion was tailor-made for chaos, and chaos could lead to destabilisation, the nature and gravity of which it was impossible to predict. The US administration therefore decided to press the button of remote control; instructions were issued for intermediation by Pakistan's military brass. The scenario had its bizarre aspects: the president, supposedly the supreme commander-in-chief of the nation's forces, the prime minister, supposedly possessing the democratic sanction to order the armed forces about, and the leader of the opposition, who is effectively the prime minister-in-waiting, the three of them ushered into the presence of the chief of staff of the army, like squabbling children appearing before the house master to be sternly told that enough was enough. Not departing from the script, the president, the prime minister's party and the opposition each gave in to the army's—and the US administration's—wishes. From now on, the parts would be played according to whatever cues are transmitted to them from you know where: guided democracy cannot be allowed to go off onto wrong, impetuous rails. That both Foggy Bottom and Pentagon intend to control and regulate developments in Pakistan on a strict and continuing basis is further emphasised by the naming of the World Bank nominee, Moin Quraishi, as interim prime minister; all is well that ends well.

The past week's events have brought to the fore a further fact of life: other things being equal, old cronies are to be preferred to the new ones. It never rains but pours; the fiasco of cryogenic technology apart, India was at the receiving end of two other well-directed shafts unleashed by the Americans. First, Pakistan was let off the charge of behaving like a terrorist state, the implication being that the Indian allegation about Islamabad infiltrating arms and men into Kashmir has not been accepted by the master. Second, Kashmir, the US state department has declared, remains a 'disputed territory', and its future is to be determined not by the governments of India and Pakistan alone, but, conjunctively, by the people of Kashmir themselves. In dealing with India—liberalised, globalised, USA-friendly India—the American administration could not have been any crueller. Such is life in a world system in which there is room for only one superpower: the superpower has no competition, it therefore can afford to take its devotees for granted. That such cynicism could break the heart of this or that suitor does not belong to its agenda of concerns.

But, then, there is a category of passion which is known as unrequited love. According to grammarians, the bliss attaching to such love passes understanding.

SECURITIES SCAM

Sham Regulation

THE finance ministry's discussion paper on economic reform, while conceding that the securities scam revealed the weaknesses of the banking system, seems clearly to lay the blame for whatever made possible the enormous diversion of the banks' own resources and the funds of public sector undertakings through the manipulation of the securities holdings of banks on the system being "over-regulated and under-governed" and lists a number of "reform initiatives" already announced "to restore the health and long-term viability of the banking system over the next three to four years". The list includes not only the phased reduction in the SLR and the implementation of the new capital adequacy norms but also strengthening of the RBI's supervisory system with the establishment of a new board for bank supervision.

In its agenda for the next three years also the discussion paper, while reiterating its commitment to pursue the initiatives already taken and to implement an appropriate system reform "so that the security scam which came to surface in April 1992 does not occur again", adds that "subject to prudential norms, restrictive regulations which limit competition (such as the consortium approach) will need to be modified, if not eliminated, so as to increase competition in providing service to the public". The hope is expressed that as a consequence "competition from new private banks, including joint ventures with foreign banks, will in time result in new innovative public services" and that "the new prudential norms, a more competitive environment and broad-based ownership of public sector banks will help ensure that their newly reconstituted financial health is not frittered away".

The most intriguing part of the exercise that has produced the discussion paper is the total failure to focus on those aspects of the financial system which created the opportunities for manipulative use of funds kept with the banks. After all, whether the banks are required to invest 25 per cent of their deposits or more in government securities, the problems connected with inter-bank transactions in these securities will remain. If it were possible to fabricate or falsify the instruments allowed to be used for the purpose, namely, bankers' receipts (BRs) or SGLs, as the scam disclosures reveal, concrete steps will still need to be taken to prevent the abuse of these instruments. The question to be faced then should have been not to deregulate but to re-regulate the use of such instruments. The scam has been the outcome of not over-regulation but of sham regulation. To blame it on over-regulation is a charade.

The authors of the discussion paper, however, have used the scam to advance their own agenda, namely, that of creating what they choose to call "a more competitive framework" with the entry of new private banks including joint ventures with foreign banks. It strains one's credulity to read references to the scam in the discussion paper without any acknowledgement that the principal perpetrators of the scam were none other than four or five foreign banks which, with the collusion of a couple of small private banks, made a mockery of the RBI's regulatory mechanism meant to monitor transactions in securities. Will the new private banks compete in observing or subverting whatever regulations or guidelines are prescribed hereafter for such transactions is the real question. It is necessary to demand the answer to this question of those who put the blame for the scam on over-regulation.

If there is one single lesson that one can draw from the disclosures in connection with the securities scam it is that the regulatory mechanism failed miserably to monitor the activities of the banks, in particular those of the foreign and private banks. Therefore, the case is for not only identifying where the regulatory mechanism needs to be reinforced but also for maximum caution in regard to allowing the foreign banks to expand their activities. Whatever else one may say on what the discussion paper puts forth as the agenda for the next three years, on financial sector reform, it attempts to preempt the Joint Parliamentary Committee on what the committee may choose to recommend on the general contours of financial sector reform but also on the role of new private banks, especially foreign banks.

POLITICS

Task for the Left

Ajit Roy writes:

THE perennial problem of the Indian left has once again assumed a sharp focus as it always does at a critical turn in national politics. The problem, as is widely known, is how to confront the right without bringing grist to the ultra-right mills. With the issue of a no-confidence motion against the Narasimha Rao government looming large on the horizon, the specific question now exercising the left is how to relate on this move with the largest opposition party in the Lok Sabha, that is, the BJP. While the CPI(M) at the core of the Indian left reveals symptoms of indecision, its critics on the right as well as the left are already castigating it in anticipation, either for boosting the position of the BJP or for coming to the rescue of the Congress(I).

While the dilemma cannot be ignored, rooted as it is in the existing division of the national political spectrum between the ultra-right, Hindu fundamentalist camp, the right-centrist Congress(I) and its allies, and the rather incoherent left-centrist agglomerate, it is not really insoluble in terms of a consistent left perspective. In working out the basics of such a tactical initiative, the left leadership has but to keep in view two essential considerations.

First, that there cannot be a straightforward, direct, escape from the existing paralysing constraints, that arise from the triangular correlation of forces mentioned earlier. The fundamental criterion of choice in this case must be, and can only be, the long-term resultant of the contemplated moves. That is, whether the moves basically develop the mass mobilisation capacity of the left camp or impair it, which is the ultimate instrument of breaking the historical stalemate. It is quite possible that at different points of such a leftist tactical trajectory, the right or the far-right may seek to derive some dividends from the particular move of the left-centre forces. But such a contingency, if it is only short-lived, should not unnerve anyone. Secondly, if and when there has to be some occasional alignment, objectively speaking only, with either of the two inimical factors of the equation—the right and the ultra-right—the left democratic forces must not give any political-ideological concession to either of them, but have indeed, on the contrary, to sharpen the dimensions of differentiation with them both.

Specifically, in the present situation if they decide to press the no-confidence move which apparently pushes them closer to the BJP camp, the left democratic forces will have to concentrate their attack on the Congress(I), along with many other issues, not only for its failure to fight the BJP menace, but in fact for providing direct and indirect sustenance to it consistently. If the left moves in this way, then there will be very little opportunity for confusing this step as supportive to the BJP. On the contrary, this may contribute towards intensifying differentiations within the Congress(I) on the question of its attitude towards Hindu fundamentalist forces, that is, between the secular and the basically Hindu nationalist elements. This will also help the left to step up the offensive against the BJP immediately afterwards, that is, as a direct continuation of the no-confidence move and thus paralyse the pro-BJP forces' move towards the BJP.

The most crucial question at this moment is not to establish the secular credentials of the left. They are well established. The crucial question at this moment is, can the left afford to be soft to the Congress(I) with its all-round record? This does not certainly mean that one should equate the Congress(I) with the BJP. The point really is that only the course proposed above can help safeguard the distinction between the two.

More importantly, it should be clearly understood that secularism cannot be safeguarded as an abstract virtue or a political philosophy in isolation from the active political process; secularism can and has to be safeguarded as an essential

commitment to consistent democracy. If the present regime persists in subverting the democratic process—economically, politically and ideologically—in the many ways it has been doing, it cannot but destroy the secular character of the Indian polity as a result.

All this finally means that while the left has to pursue the aim of gathering around itself mass allies from every quarter in its struggles against the attacks on the democratic-secular character of the Indian polity, the whole question basically hinges upon its own capacity to push forward positively its own efforts to expand and strengthen the democratic structure and secular character of national politics.

EMPLOYMENT

Zone of Silence

THE finance ministry's discussion paper on the economic reforms has attracted wide attention and comment. The fact that the document has been issued as a paper for discussion and not as a statement of future policy already decided upon is to be welcomed. It leaves room for debate and argument on what the agenda for the coming three years should be and for changes in the light of such discussion, however much the tone and language of the paper give the impression that minds in the finance ministry are already made up on not only the directions of economic policy in general but also on the aspects to be accorded priority and the aspects to be overlooked or slurred over

While due homage is paid to the need for sustained growth in not only incomes but also employment and for poverty alleviation in both the paper's assessment of the performance in the two years just gone by and in the outline of the agenda for the next three years when the gains made could well be reversed if "we are not careful to consolidate them", there is a studied silence all through on the impact of the two years of economic reforms on the rate of growth of employment and the decline, if any at all, in poverty. In the ministry's assessment of past performance there is no mention at all of how the country has fared in dealing with unemployment. And this could not be for want of indicators on the subject. Has employment in the organised sector, public and private, increased or declined? How has the wide network of employment exchanges fared in regard to placements provided for those on the exchanges' live registers? The answers are bound to have disclosed uncomfortable facts, knowing as one does that the organised sector, especially the private component thereof, has signally failed to provide increased employment in virtually the whole of the decade of the 1980s, relatively fast growth of output notwithstanding, or that the rate of growth of the numbers on the live registers of the employment exchanges has been frighteningly high. (The latest figure of one-third of 1 per cent of placements as a proportion of the numbers on the live registers during the first half of 1992 is a telling commentary on what is happening on the employment front.)

And if employment does not expand at a reasonable rate, reasonable relative to the expansion of the labour force, it is not difficult to hazard a guess about what is happening to the size of the population below the poverty level and the condition of those actually living in poverty. Whatever else the authors of the economic reforms programme, and this includes in addition to the ministry of finance the international agencies, the IMF and the World Bank, they cannot disclaim the uncomfortable knowledge that unemployment and poverty have increased during these first two years and will most likely continue to increase given the directions of future economic policy.

CHINA

Credit Boom

REPORTS from China speak of an overheated economy with inflation running at over 20 per cent and industrial growth in the first half of the current calendar year exceeding 25 per cent. Other reports, yet to be confirmed, suggest that the governor of the Central Bank of China has been dismissed for his failure to regulate the expansion of credit and money supply. It is confirmed, however, that concerned provincial authorities have been summoned to Beijing for a conference to discuss ways and means of regulating the supply of credit within their respective jurisdictions. Evidently, the provincial authorities in China exercise some freedom in the extension of credit within their jurisdiction, though it is not clear whether (a) this freedom is exercisable within certain limits and these limits are being exceeded or the limits themselves were too liberally set, and (b) the credit thus extended has gone to finance budget deficits of the provincial authorities or commercial and industrial investments by various enterprises in the provinces. That deficit financing is one of the causes of the current overheating of the Chinese economy has been mentioned all the same. Whether the deficit financing has been resorted to largely at the provincial or the central level is not quite clear. What certainly is clear is that the overheating of the economy is being linked to government deficit financing in the sense of credit expansion, not in the IMF sense of government borrowing, though the extent to which governments in China, provincial as well as central, resort to borrowing is not quite known.

Interestingly, the reports of an overheated Chinese economy come on the heels of those about continued inflow of direct foreign investment. Recent estimates of the annual net inflow put the figure at $ 3.5 billion. The country's foreign reserves are conservatively estimated at $ 50 billion. While the inflow of direct foreign investment could possibly generate demand for domestic funds to complement the investment outlays undertaken as a consequence, the accumulation of foreign reserves with the Chinese monetary authorities generates the supply of counterpart domestic funds, unless the authorities have devised specific measures to effectively sterilise the accretions to foreign reserves taking place from time to time.

Evidently, the measures now in place are not sufficiently effective in containing the growth in aggregate demand which has been outpacing aggregate supply and, in particular, the pressures which emanate from the monetary side. It is these pressures which the authorities are now wanting to restrain. Will it involve substantial budget cuts and also a slowdown in the pace of direct foreign investment or concentrate principally on domestic credit creation is a question the answer to which will be interesting to watch over the coming days.

NORTH-EAST

Growing Network

Kamaroopi writes:

THE claiming of responsibility by the Indo-Burma Revolutionary Front (IBRF) for the ambush of an Assam Rifles patrol party near Lazu in Tirap district of Arunachal Pradesh on June 18 in which four persons, including three soldiers of the Assam Rifles, were killed, indicates that a more activist phase of the outfit, going beyond mere verbose statements of intent, is in the offing.

Initial reports from Itanagar had attributed the incident to the National Socialist Council of Nagaland (NSCN) alone. However, a statement issued by the IBRF in Imphal has clarified that the ambush was a joint endeavour of the components of the IBRF. Indeed, this is the first joint action by the IBRF whose components include, apart from the Khaplang faction of the NSCN, the United National Liberation Front (UNLF) of Manipur and the United Liberation Front of Asom (ULFA). These three organisations came together in May 1990 under the banner of the IBRF. A statement dated May 22, 1990 issued under the signature of S S Khaplang, NSCN chairman, Arobindra Rajkhowa, chairman of ULFA and Sana Yaima, UNLF's general secretary, maintains that 'Indo-Burma', defined as "the region between India and Burma comprising the so-called north-eastern region of India and the present north-western Burma" is "one of the few regions in the world which remains to be liberated from colonial rule". However, "the long struggles for national independence of various ethnic groups in the region" had made lit-

tle headway; rather, many of these, as in Mizoram and Tripura, had "gone down the road to capitulation". The reason for these setbacks, the statement says, was the failure of these organisations challenging the Indian state to realise the "historical limitations of ethnicism which [had] made their leaders unable to see the potential strength of the region as a whole".

Following this realisation that "separate and isolated struggles" would lead nowhere, the IBRF, "a united front of all the revolutionary forces in the region" was formed as a "historical necessity". Though the IBRF has been in existence for over three years, its activities till now were confined to theoretical and ideological discussions of revolutionary strategy and tactics. On the ground, its actions as a 'front' in a collective form were hampered because of lack of co-ordination of the forces of its component units active in widely separated areas

However, the successful staging of the ambush cannot be viewed as only a minor tactical gain on the part of the IBRF. For one thing, the ambush was staged in an area where, though it is inhabited by the Naga people, at least formally none of the component units of the IBRF is active. Further, according to a report from Imphal, the IBRF statement claiming responsibility for the ambush also said that militants of the Peoples' Liberation Army (PLA) of Manipur, the armed wing of the Revolutionary Peoples' Front (RPF) which is believed to be close to the Muivah faction of the NSCN took part in the ambush. In other words, the ambush clearly marks not merely a tactical victory on the field but also marks a strategic advance insofar as the stated political objectives of the IBRF go, leaving aside for the moment the contradictions inherent in these objectives as well as their unrealisability.

The IBRF had, in a statement issued on May 1, last year, invited "all other revolutionary forces in the region" to join hands with the IBRF and fight together for "our common goal"—that is, "liberation of the Indo-Burma region". The component units of IBRF have already established what may be described as bilateral links with other 'revolutionary forces' active in their home territories. Thus, ULFA for instance is having a working relationship with the Boro Security Force in Assam. Valley-based insurgent groups in Manipur have a working relationship with both factions of the NSCN, though serious differences (to put things mildly) divide these factions.

Given the growth of these complex networks, the active involvement of a force like the PLA, not an original member of the IBRF, in the Lazu ambush, marks an important tactical and strategic advance of the political objectives of the IBRF. If the gians made were to be consolidated, it will only mean more trouble, in a more co-ordinated form, throughout the region.

FOREIGN INVESTMENT

Not Reassuring

MAKING a strong defence of the recent liberalisation of rules and procedures applicable to foreign investment, the discussion paper on the economic reforms issued by the finance ministry refers to the flow of foreign direct investment into China. According to the paper, net foreign direct investment into China is estimated at over $5 billion in 1992 whereas "by comparison, net foreign investment flows into India during the late eighties and early 1990s were around $ 100-200 million per year".

It is a little odd that the Chinese inflow for 1992 is sought to be compared with the Indian inflow for the late 1980s and early 1990s and not 1992, the calendar year for which a reasonably firm figure should have been available by now with the RBI. Could it be that this vagueness is resorted to in order to hide the fact that large approvals of foreign investment proposals notwithstanding (the paper itself gives a figure of $ 3 billion for approvals accorded "since the announcement of the new policy") the actual net inflow of foreign direct investment did not exceed $ 200 million even in 1992? Of course, one should add in all fairness that the discussion paper recognises that the approvals accorded so far have yet to materialise into actual inflows, though it "sees no reason to doubt that the proposals of today will fructify into actual investment over the next two to three years".

In fact, the paper goes out of its way to prepare the country for a large inflow of direct foreign investment by trying to allay "the fears sometimes expressed in some quarters that opening up to foreign investment may swamp our economic independence". In doing so, however, the authors in their enthusiasm to underplay the relative magnitude of the likely foreign direct investment inflows ignore the elementary distinction between stocks and flows. The paper first refers to the estimated total industrial investment in 1992-93 of Rs 66,000 crore which "is growing at about 8 per cent per year in real terms". Then it observes that "even if foreign investment were to reach $ 1 billion in 1995-96, it would form less than 4 per cent of total industrial investment in India". Assuming that total industrial investment in 1995-96 will have reached the figure of Rs 1,00,000 crore, allowing for not only the real increase but also some inflation, the projected foreign investment in that year of $ 1 billion would be equivalent to not less than 30 per cent of total fresh industrial investment in the economy. If one were to allow for the depreciation of the rupee the proportion of total investment accounted for by foreign direct investment would be correspondingly higher. Was this an innocent slip or a deliberate attempt at confounding the readers of the discussion paper?

TWENTY YEARS AGO

EPW, July 14, 1973

Priorities in scientific research have all along borne little relationship to the requirements—immediate or long term—of the economy They have instead been largely determined by what the scientists in control of research organisations have been interested in, and by the relative political influence they have commanded. This predilection, together with the consequent lack of a viable relationship between the research organisations and the potential users of their research results, has been aggravated by the manner in which funds for scientific research are drawn.

It is possible to visualise an alternative to this system under which a large part, if not the bulk, of the funds for research are drawn from the users of the research, with the government financing research activity which, while having no immediate user to sponsor and pay for, is nevertheless nationally important

For instance, it is known that the department of atomic energy is proposing to allocate substantial funds for cancer research by the Tata Cancer Research Institute. Now, the only link between the DAE and cancer research is perhaps the use of radiation technology in treatment of cancer. The DAE's support for cancer research is coming, ironically enough, at a time when a number of research programmes of the Indian Council of Medical Research in other areas have had to be curtailed for want of funds. Under the present system there is no way of determining the relative importance of cancer research to which large funds are being made available and the research programmes of the ICMR which are suffering for want of resources. The problem of *inter se* priorities might be more effectively sorted out if funds for cancer research and the ICMR's research programmes both came from a single source, like the ministry of health.

The absence of such a system is a major reason why unutilised capacity in sophisticated machine-building plants like those of the Heavy Engineering Corporation, Bharat Heavy Electricals and Heavy Electricals, Bhopal, co-exist with substantial imports of the type of equipment which these plants are capable of manufacturing

However, it is one thing to make a given system of science and technology more efficient and quite another to alter the goals of science and technology in a society . The goals of science and technology, on the other hand, are set by the structure of production of goods and services which is determined by, as well as determines, the distribution of income and wealth in a society. It has taken many five-year plans to demonstrate that the structure of production and the pattern of income distribution are very little influenced by what is formally written into a plan document The framers of the country's first plan for science and technology may be pardoned, therefore, if they start with fond hopes of being able to influence the goals of science. But nobody would be surprised if in the end they, like the economic planners, fail to achieve even such efficiency within the system as might have been within their reach

Volvo Terry Industries

VOLVO TERRY INDUSTRIES is establishing a fully automatic state-of-the-art integrated plant for the manufacture of high quality terry towels at a capital outlay of Rs 627.01 lakh. The company proposes to install 24 Laxmi Rieter automatic looms with an installed capacity of 660 tonnes per annum. In the second year of operation, it will be adding eight looms and, as a result, the capacity will go up to 880 tpa. The project is being implemented at Sanand, Gujarat. Commercial production is expected to start by this October. The company has entered into an agreement with Lalbhai Exports—a recognised export house—for exporting its entire production for the next three years. It has also signed an MOU with Broadway Exports of Jamaica who have agreed to buy 550 tonnes of terry towels a year. Profits after tax as per appraisal done by Syndicate Bank in the next three years ending September 30 are projected at Rs 91.05 lakh, Rs 191.55 lakh and Rs 230.94 lakh on sales of Rs 550.55 lakh, Rs 888.99 lakh and Rs 1,020.07 lakh and with capacity utilisation at 70, 80 and 90 per cent. To part finance the project, the company is making a public issue of 40,00,000 equity shares of Rs 10 each at par aggregating Rs 400 lakh. The issue opens on August 3 and is lead-managed by PNB Capital Services and Gujarat Lease Financing. Listing of the shares will be done at Bombay and Ahmedabad stock exchanges.

Renco Gears

Renco Gears, whose existing plant at Chhatral, about 35 kilometres away from Ahmedabad, is manufacturing drop box clutch sets, is setting up manufacturing facilities for all types of reduction gear boxes, namely, worm gears (6,000 pieces pa), helical gears (8,000 pieces pa) and shaft mounted gears (6,000 pieces pa). The cost of this diversification project is Rs 1,144.05 lakh. Commercial production is expected to commence in August. The profitability projections as per the appraisal done by Gujarat Lease Financing are Rs 346.75 lakh in 1993-94, Rs 423.90 lakh in 1994-95 and Rs 511.48 lakh in 1995-96 on net sales of Rs 2,040.35 lakh, Rs 2,429.54 lakh and Rs 2,818.73 lakh respectively. To part finance the project, the company is entering the capital market on July 27 with a public issue of 30,00,000 equity shares of Rs 10 each at a premium of Rs 7.50 per share totalling Rs 525 lakh. The lead managers to the issue are Gujarat Lease Financing, Ahmedabad, and PNB Capital Services, Bombay. Listing of the shares will be done at Ahmedabad and Bombay stock exchanges.

Ace Laboratories

Ace Laboratories has altered its capital issue due apparently to the present unfavourable market conditions from an original proposal of Rs 3.40 crore worth equity shares of Rs 10 each at a premium of Rs 5 per share to Rs 14.50 crore altogether in equity shares at par. The Indian public offer is of 20.35 lakh shares while 12.50 lakh shares are being offered to NRIs. The issue opens on July 26 under PNB Caps as lead manager. The company is raising funds to finance a programme of expansion and diversification. Promoted by A C Srimal and S Tewari, the company started commercial production of liquid syrup in 1985 with an installed capacity of 60,000 litres per annum. In 1987, it took up manufacture of dry syrup, tablets and capsules as it expanded the capacity of liquid syrup to 1.50 lakh litres. It now proposes to expand production capacity further and to diversify into manufacture of powder, liquid injectables and ointment and is setting up at the same time a testing laboratory with R and D facilities. The proposed plans are to cost Rs 4.50 crore as appraised by the IFCI towards which the promoters are contributing Rs 90 lakh and the balance is being raised by capital issue as above. Ace Laboratories has seen its turnover rise from Rs 34.50 lakh in 1986-87 to Rs 6.30 crore by 1992-93 and so also profit margin (gross profit to sales) from 4.30 per cent to 12.60 per cent. Book value of its equity has increased with the present share capital of Rs 40 lakh from Rs 4.30 in 1986-87 to Rs 27.34 in 1992-93. The expanded capacity is expected to go on production this November to boost sales for 1993-94 to Rs 11.28 crore and raise net profit to Rs 99.53 lakh with an expected EPS of Rs 2.03. By 1995-96, the turnover is estimated to increase to Rs 13.02 crore and net profit to Rs 1.08 crore to yield an EPS of Rs 2.21.

Khaitan Agro Industries

The Khaitan Group of companies, who have been in the agro business for over a century and who have diverse interests, with manufacturing, mining and marketing expertise, in areas ranging from textiles, sugar and cotton to electrical household goods, refractories and magnesite, are inviting public investment for their latest plantation project christened 'Wood Sense' initiated by Khaitan Agro Industries. The investor is offered a choice of two schemes, namely, Classic and Connoisseur, with initial investments in either of the schemes ranging from Rs 3,000 to Rs 3,500 per unit depending upon the kind of tree one wishes to invest in. Each unit of investment provides two trees of any kind: Teak (Rs 3,000), white cedar (Rs 3,250) or rosewood/mahogany (Rs 3,500). The first scheme, Classic, has a maturity period of 15 years with expected returns at the end of Rs 1.0, Rs 1.1 and Rs 1.2 lakh respectively, while the second scheme, Connoisseur, has a maturity of 20 years with expected returns at the end of Rs 1.63, Rs 1.79 and Rs 1.95 lakh, respectively; interim annual returns will start after three years at the rate of 16 per cent for 'Connoisseur Scheme' and 15 per cent for 'Classic scheme'. A Connoisseur unit holder will be entitled, after every fifth year, to share the benefits from the sale of alternative crops to the tune of 25 per cent of the investment in the first year. The added attractions of the schemes include transferability of certificates after one year, buy-back facility after five years, a personal accident insurance coverage of Rs 1 lakh for every unit holder for the duration of the scheme, membership of the Wood Sense Club, and in addition an offer of two full-grown Casuarina or other trees, if the growth of the two trees already allotted is less than 50 cft at the end of 15 years or 60 cft after 20 years. The project is the first Indian commercial agro forestry with agrotechnological expertise in collaboration with Blooms and Gree, of Singapore, and is spread over 4,000 acres of land in five different states. The high-density plantation techniques to be availed of have been put to successful use in Malaysia where the climatic conditions match our own, and will help attain requisite growth of the trees within 15 years when a naturally growing Teak or Mahogany tree takes from 25 to 40 years to attain the requisite growth. The mixed cropping technique with cash crops will also enrich the soil and provide interim benefits to investors. The project which will enjoy tax free agricultural income has been appraised by MPCON, a consultancy jointly formed by IDBI, IFCI, ICICI and others. Added attractions of the project are, crop insurance with New India Assurance,60 to 100 per cent stock to replenish loss if any, purchase of seedlings/saplings under the guidance of the collaborator which is a reputed plantation company in the ASEAN region, supervision by experts in the fields of forestry, agriculture, horticulture, financial management and plantation management.

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Better Times Ahead

Jairaj Kapadia

SPURRED by competition and driven by survival instinct but also helped by the tax concessions announced in this year's budget, automobile manufacturers are gearing to regain their lost position in the market due to demand recession and cost escalation.

South's Standard Motors Products has however just declared again a lock-out, 16 months after it reopened last year on a take-over by A C Muthiah of the SPIC group in February 1992. But the two traditional car manufacturing companies, Hindustan Motors and Premier Automobiles, are racing to improvise production and also to deliver a new car each in the market. In this they have felt encouraged by the 15 per cent cut in the excise duty on cars and lower import duties on components in the budget, while the removal of production curbs and the relaxation in foreign collaboration have helped the companies to tie up with world manufacturers to produce better cars for the Indian market.

Hindustan Motors' tie-up with General Motors is to result now in production of Opel Astra in the country. GM's model has engine capacity varying from 1.2 litres to 2 litres. The cars to be considered for production in India, after a test run which was taken recently of a GM car to try out the road conditions and parameters of temperature in different parts of the country, are to be of 1.4 to 1.6 litres engine capacity. But these are to mark a major improvement from the hitherto available models.

In producing better cars HM and PAL are prodded by the success of Maruti Udyog. Making a head start with government funding and the better technology from Suzuki Motors of Japan, the public sector company has survived the slide in demand and with export-funding of expansion has also drawn up plans for production of Maruti Zen, conforming to international auto emission standards, besides introducing the Maruti 1000.

But as car companies are switching gears, how fast are accessories to get accelerated? GM in its tie-up with HM is said to feel favourably inclined in sourcing supplies from companies like Bharat Forge, TVS Lucas, Gabriel and Sona Steering. But the question begs attention, since accessories companies also suffered due to a slump in demand for cars.

The review below of three companies, MICO (Motor Industries), Firth (India) Steel and Automotive Axles throws some light in this connection.

The Week's Companies *(Rs lakh)*

Financial Indicators	MICO		Firth (India) Steel		Automotive Axles	
	December 1992	December 1991	March 1993	March 1992	March 1992	March 1991
Income/expenses/profits						
Net sales	46083	35700	2543	2336	2861	2830
Excise duty	6378	5201	10	2	640	604
Other income	1338	1032	113	92	362	169
Increase (decrease) in year-end finished stock	(161)	(123)	(18)	35	74	(11)
Raw materials consumed	15893	12107	840	851	1771	1660
Power and fuel	849	690	426	363	112	96
Other manufacturing expenses	2862	2134	297	275	229	247
Labour cost	9662	8264	480	435	219	152
Other expenses	7320	5703	225	186	268	232
Operating profits	10994	7961	370	353	696	601
Interest charges	992	534	280	259	372	293
Gross profits	10002	7427	90	94	324	308
Depreciation	5258	3745	21	18	280	239
Profits before tax	4744	3682	69	76	44	69
Tax provision	3050	2200	—	—	—	—
Profits after tax	1694	1482	69	76	44	69
Dividends	609	609	—	—	—	—
Liabilities/assets						
Paid up capital	3805	3805	172	172	825	825
Reserves and surplus	10044	8783	1283	1222	—	—
Long-term loans	1316	2279	363	379	1499	1427
Short-term loans	6042	4037	1092	903	2058	1630
Other liabilities	9703	8261	826	724	427	410
Gross fixed assets	37042	29745	1861	1813	3545	3245
Accumulated depreciation	24404	19337	351	332	1212	940
Inventories	4988	4883	1243	1141	723	563
Of which finished goods	1416	1255	620	638	231	157
Receivables	7143	5525	762	587	1127	713
Loans and advances	1430	1472	175	121	146	121
Cash and bank balances	1076	1480	8	23	17	77
Investments	3631	3396	—	—	1	1
Other assets	2	2	39	46	463	514
Total liabilities/assets	30910	27165	3736	3400	4809	4292
Key financial ratios						
Turnover ratio	1.49	1.31	0.68	0.69	0.59	0.66
Return on sales %	21.70	20.80	3.54	4.02	11.32	10.88
Return on investment%	32.36	27.34	2.41	2.76	6.74	7.18
Return on equity (%)	12.23	11.77	4.74	5.45	5.33	8.36
Earning per share	44.52	38.94	7.00	7.69	0.53	0.84
Dividend (%)	16	16	—	—	—	—
Book value per share (Rs)	363.95	330.81	24.90	18.75	10	10
Current market price	2300	—	40	—	30	—
P/E ratio	51.66	—	5.71	—	56.60	—

MICO

Expansion and Diversification

The fuel injection equipment and spark plugs company MICO, against a 28 per cent rise in sales turnover in 1992, has seen its profit after tax increase by only 14 per cent with the result that the ratio of net profit to sales has shrunk from 3.6 per cent in 1991 to 3.2 per cent in 1992. Declaring a final dividend again of Rs 8 per share, the directors have maintained the total dividend at the previous year's increased rate of Rs 16 per share. Explaining the decision to maintain the dividend (from what they say it looks they would have liked to raise it), the directors state this will further strengthen reserves which would be required by the company for future development entailing substantial capital investment. What the directors state further in this connection is also pertinent. The board of the company decided to recommend a final dividend for the year 1992 of Rs 8 per share at its meeting held on March 11, 1993. By then, as the

directors state in their report, the business development in the first quarter of this year in the automotive industry not only in India but worldwide was weak and the company was facing a situation of declining demand and as a result reduced earnings. It was with the knowledge of this background that a cautious dividend policy was followed by the board of directors.

The directors report recessionary trends in the automobile industry during 1992 affected sales to the original equipment sector. However, the tractor and single-cylinder engine sectors were satisfactory, while the company widened the customer base for hydraulic products. It also introduced besides for the automobile sector new items, such as halogen bulbs, ignition coils, horns, voltage regulators, clutch plates and clutch cover assemblies. At the same time, intensive cost reduction measures, including substitution of imports, were taken to beat the increase in the costs of inputs due to the depreciation of the rupee, the sharp increase in the prices of petroleum products and the hike in power tariff.

Meanwhile, in exports, the company achieved a substantial increase of 58 per cent as it expanded its market to cover Australia, China and the US. New markets are being identified for further development while the company is intensifying efforts towards third party exports to the plants worldwide of its German partner, Bosch. It is also exploring the potential for software exports to Bosch, deputing software engineers to Bosch for on-site assignments while they are also working from the company's software technology park facility in Bangalore.

Export sales amounted to Rs 6,090 lakh, while the company earned a total of Rs 6,210 lakh in foreign exchange against an outgo of Rs 6,870 lakh. Plans of expansion and diversification include manufacture of special purpose machines for which a technical collaboration agreement has been made with Witzig and Frank Turmatic GmbH, Germany, for the manufacture of CNC flexible electrohydraulic and mechanical machining systems, packaging machines in agreement with Bosch to cover manufacture of bag form, fill and sealing machines, and portable electric power tools, with technical know-how from Bosch.

FIRTH (INDIA) STEEL

Improved Prospects

Despite difficult market conditions faced by the alloy steel industry in the country due to demand recession in the automobile sector, Firth (India) Steel experienced during the year ended March 31, 1993 an increase in the offtake of high speed steel, which is its main product. Production of processed high speed steel increased from 499 tonnes in the previous year to 599 tonnes as offtake improved from 458 tonnes to 619 tonnes with the sales realisation increasing from Rs 922 lakh to Rs 1,175 lakh. Sales of high speed steel billets also were more at 14 tonnes against as little as 0.090 tonnes in the previous year, with the income amounting at Rs 8,64,223 against Rs 14,459 previously. With this pick-up in sales, and since the company's order book position continues to be healthy, the prospects for the current year are considered better, and with the constraint of restrictive bank credit now relaxed, there can be a definite improvement in the working of the company.

Meanwhile, the company has commenced direct exports of high speed steel and tool and die steel to Europe, helped apparently by its technical collaboration with Firth Brown, Sheffield, UK. The company was originally named Firth Steel of India as it was incorporated in 1962 in collaboration with Firth Sterling, Pittsburgh, US. It took its present name on entering into technical collaboration with Firth Brown, UK. Exports, including through merchant exporters, of the company's products during 1992-93 amounted to Rs 38.95 lakh, while further orders worth Rs 32 lakh were received from customers in the UK. In addition, orders of Rs 25 lakh have been received from domestic customers for supply of high speed steel against their export orders, and the supplies against these are to be deemed exports. Against export sales of Rs 38.95 lakh the outgo on import of raw material, components and spare parts in foreign exchange during 1992-93 was of the order of Rs 213.01 lakh.

The working during 1992-93 has resulted in a net profit of Rs 69 lakh against Rs 76 lakh in 1991-92. However, the dividend is waived again, although in the previous year the company had cleared the carried forward loss of Rs 69 lakh and carried the surplus of Rs 7,56,977 of profit to balance sheet. During 1992-93, it has capitalised Rs 8,42,900 of preference share dividend after it was written off and carried the surplus profit of Rs 61,03,149 to balance sheet. The amount so transferred, inclusive of the previous surplus brought forward, is Rs 68,60,146. This constitutes a principal amount in reserves and surplus, as other than Rs 5,82,287 in investment allowance (utilised) reserve and a sum of Rs 18,030 in capital reserve. The rest is all revaluation reserve standing at Rs 12,08,47,186.

The company's equity share capital is small amounting to Rs 99,47,190. It is likely therefore to declare a dividend for the current year, as it has negotiated technical collaboration with a firm in Europe for upgrading the quality of its products and reduce costs besides for developing hi-tech steel of various types presently imported into the country. It has also drawn up a major programme for modernisation of facilities and expansion of production capacity to service exports and the market at home.

AUTOMOTIVE AXLES

Turning the Corner

Automotive Axles' equity share is currently quoted on the market at Rs 30, which is three times its face value and the book value of Rs 10 per share. In terms of the earnings for the year 1991-92, the price-earnings ratio amounts to as high as 57 per cent. But this position is owing to the company having come out of the purview of the Sick Industrial Companies (Special Provisions) Act, 1985 during the year ended March 31, 1992, when it succeeded in bringing down accumulated losses to Rs 410.60 lakh and the erosion of the peak net worth to less than 50 per cent. This was after for a third year running the company sought extension of relief package with the financial institutions and banks which they granted, and which helped its liquidity position.

However, according to the directors, the company faced liquidity crunch because of all-round increase in costs which it could not recover from customers by higher price realisation, particularly since the stringent economic measures taken by the government by way of credit squeeze, upward revision in banks' lending rate and import restrictions seriously affected the operations of customers in the light commercial vehicle sector in the automobile industry. Besides, the change in the rupee's exchange value increased the burden of the principal amount and interest on foreign exchange loan and investment by Rs 270 lakh for the company. The foreign exchange outgo on interest payment was Rs 10.70 lakh.

Automotive Axles, which is established in collaboration with Rock-well International Corporation, USA, was still saddled with problems as it completed the 11th year and with a large accumulated loss on hand, although, on reducing the deficit to less than 50 per cent of net worth, it had ceased from being called a sick company. The constraints above which its LCV manufacturer-customers had faced are now become a thing of the past. But it will be still a long time for the company to announce a dividend to the shareholders.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week 3-7-93	Variation (per cent) Over Last Month	Over Last Year	Over March 27, 1993	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	238.9	1.1	5.8	2.5	9.8	13.7	10.3	7.5
Primary Articles	32.3	238.7	1.7	1.0	2.8	7.3	18.1	13.0	2.2
Food Articles	17.4	275.4	0.8	0.2	2.6	12.3	20.2	11.8	1.2
Non-food Articles	10.1	233.3	3.9	2.2	4.0	-0.6	18.0	17.0	3.6
Fuel, Power, Light and Lubricants	10.7	254.3	3.4	18.8	3.4	14.1	13.2	12.3	3.6
Manufactured Products	57.0	236.1	0.3	6.4	2.1	10.5	11.3	8.4	11.3

Cost of Living Indices	Base	Latest Month 1992/93	Variation (per cent) Over Last Month	Over Last Year	Over March 1993	1992-93	1991-92	1990-91	1989-90
Industrial Workers	1982 = 100	246[5]	0.4	5.1	1.2	9.9	13.5	11.2	6.5
Urban Non-Manual Employees	1984-85 = 100	205[3]	--	6.8	6.8	10.4	13.5	11.0	6.9
Agricultural Labourers	July 60 to June 61 = 100	1,039[4]	1.3	0.7	1.3	12.3	19.3	7.5	3.2

Money and Banking	Unit	Latest Fortnight 25-6-93	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 31, 1993	1992-93	1991-92	1990-91	1989-90
Money Supply (M_3)	Rs crore	3,81,056	239 (0.1)	44,123 (13.1)	18,692 (5.2)	46,316 (14.7)	49,560 (18.5)	34,486 (14.9)	37,457 (19.4)
Net Bank Credit to Government Sector	Rs crore	1,89,743	1,708	25,038	13,569	16,274	24,589	23,048	20,676
Bank Credit to Commercial Sector	Rs crore	2,20,290	-938	23,485	4,231	24,389	24,173	21,443	23,822
Net Foreign Exch Assets of Banking Sector	Rs crore	27,362	889	301	1,681	6,155	10,098	1,915	-149
Deposits of Scheduled Commercial Banks	Rs crore	2,77,235	783 (0.3)	34,221 (14.1)	10,088 (3.8)	36,389 (15.8)	38,217 (19.8)	25,583 (15.3)	26,809 (19.1)
Advances of Scheduled Commercial Banks	Rs crore	1,55,515	-653 (-0.4)	21,871 (16.4)	4,461 (3.0)	25,462 (20.3)	9,291 (8.0)	14,848 (14.6)	16,734 (19.8)
		Latest Week 9-7-1993							
Foreign Exchange Assets (excluding gold)	Rs crore	21,149	1,312	3,196	953	5,385	10,223	-1,383	-795
	US $ mn	6,728	435	-223	261	746	3,383	-1,137	-854

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Feb 93)	Averages for* 1992-93	1991-92	Variation (per cent) 1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	220.8	211.6	2.1	207.2	0.2	8.6	8.7	7.3
Mining and Quarrying	11.5	241.0	218.8	0.9	216.8	0.9	6.3	7.9	3.8
Manufacturing	77.1	210.5	202.3	1.8	198.7	1.4	8.6	8.7	7.9
Electricity	11.4	270.5	267.4	4.9	255.0	8.7	10.8	9.5	7.7
Basic Industries	39.4					3.8	5.4	9.9	5.6
Capital Goods Industries	16.4					17.4	22.4	7.0	15.9
Intermediate Goods Industries	20.5					6.1	4.3	11.5	4.8
Consumer Goods Industries	23.6					10.4	6.3	4.2	6.5
Durable Goods	2.6					14.8	1.7	12.0	7.8
Non-Durable Goods	21.0					9.4	7.5	2.5	6.2

Foreign Trade	Unit	Latest Month (March 93)	Cumulative for* 1992-93	1991-92	1992-93	1991-92	1990-91	1989-90	1988-89
Export	Rs crore	6,086	53,351	44,042	53,351 (21.1)	44,042 (35.3)	32,553 (17.6)	27,681 (36.8)	20,232 (29.1)
Import	Rs crore	5,425	62,923	47,851	62,923 (31.5)	47,851 (10.8)	43,193 (22.0)	35,416 (25.4)	28,235 (26.9)
Balance of Trade	Rs crore	+661	9,572	-3,809	9,572	-3,809	-10,640	-7,735	-8,003

Employment Exchange Statistics	Unit	Latest Month (Dec 92)	Cumulative for* 1992	1991	1992	1991	1990	1989	1988
Number of Applicants on Live Register	Thousand	36,759	36,759	36,300	36,759	36,300	34,632	32,776	30,050
Number of Registrations	Thousand	397	5,302	6,238	5,302	6,238	6,541	6,576	5,963
Number of Vacancies Notified	Thousand	40	421	460	421	460	490	599	544
Number of Placements	Thousand	24	240	254	240	254	266	289	330

National Income	Unit	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Domestic Product (current prices)	Rs crore	.	.	3,50,899	2,94,765	2,60,03	2,33,799	2,08,533'	1,86,723
Gross Domestic Product (1980-81 prices)	Rs crore	2,21,168 (4.2)	2,12,316 (1.2)	1,88,009	1,70,205	1,63,271	1,56,566	1,50,433	1,44,865
Per Capita Income (1980-81 prices)	Rupees	2,222 (2.2)	2,174 (-1.1)	2,069	1,902	1,871	1,844	1,813	1,790

* Up to the latest month for the current year and for corresponding period last year . Not available.

Notes. (1) Superscript numeral denotes month to which figure relates, e g, superscript[1] indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variations over the comparable period of the previous year.

Calcutta Diary

AM

Others abide the question, the Punjab director-general of police is free. The Punjab chief minister is equally free. This freedom the chief minister has now decided to extend to the fiscal arena: Punjab, he has declared, will not pay back a penny of its accumulated debt to the centre. The Punjab chief minister is not fooling. He is speaking from a position of enormous strength.

NO, this time it is not the militants who want to take Punjab out of the Union of India. It is the chief minister of the state himself, the Beant Singh of the famous Beant Singh-K P S Gill twosome. Come what may, Punjab, he has decided, will not meet any of its outstanding debt and interest obligations, exceeding Rs 6,000 crore, to the centre. His government has made enough contributions to the nation's cause, it has saved the state from the jaws of secession, it can therefore, in the chief minister's considered judgment, expect a just recompense. The state government has decided what this compensation is going to be. From now on, it will only receive funds from New Delhi, it will not pay back one morsel of its past obligations.

Suppose the centre demurs, suppose the union government maintains that the system of federal finances developed in this country in the course of the past few decades makes it imperative for fiscal flows to be a give-and-take affair, and Punjab too will have to repay its outstanding debts in the manner of other states, however disagreeable that task might turn out to be? But the chief minister obviously has thought things through. It is inconceivable to him for the centre to have the temerity to differ from the point of view of his government. The chief minister could not be more unambiguous in his attitude: he was merely, for courtesy's sake, informing the centre, the question of the latter's approval or disapproval was not really relevant. What the Punjab government says the rest of the nation, including the stoical regime at the centre, has to accept.

The Punjab chief minister's stance, after all, is in conformity with the current *realpolitik*. There is no force in the country to contradict a proposition or a course of action once Beant Singh, or his factotum K P S Gill—or is it the other way round, Gill, or his factotum, Beant Singh?—has decided to insist upon. Gill does not bother about the prior concurrence of either the union home ministry or the administration nominally functioning in other states before he sends out his commandos to these states in search of fugitive militants, to apprehend these rascals, and shoot them down like dogs. In the process, he might be infringing the country's civil and criminal laws, and violating the commonest human rights enunciated in the Universal Declaration of Human Rights of the United Nations that were reiterated, to the accompaniment of much passion and polemics, at the recently held international jamboree in Vienna. Others abide the question, the Punjab director-general of police is free. The Punjab chief minister is equally free. This freedom the chief minister has now decided to extend to the fiscal arena: from now on, he will only receive bounty from the centre, such bounty will go unrequited, Punjab will not pay back a penny of its accumulated central borrowings. This is not a threat, but a statement reflecting the reality of Punjab's suzerainty. That state is no longer quite a part of the Union of India.

The Punjab chief minister is not fooling. He is speaking from a position of enormous strength. Were some busybody in the ministry of finance in New Delhi to choose to make a fool of himself and suggest that Punjab's case cannot be treated as *sui generis*, it must pay back in full, and with interest, the sums it had borrowed from the centre in the past like all other state governments, Beant Singh, rest assured, has the option of a straight and simple riposte. If such were the centre's intention, very well, then he and his soulmate, Gill, would propose to withdraw from the scene, and brother militants would be welcome once more to take over. The government in New Delhi, he knows, could not afford a recrudescence of open insurgency in Punjab. It was in any case trudging through extraordinarily difficult times. It had no majority in parliament and was dependent upon the uncertain charities of stray characters like the Yuvaraj of Bagpat; that wretched stockbroker from Bombay has rendered slumberless the nights of the prime minister himself; the Joint Parliamentary Committee has unambiguously indicted one cabinet minister of malfeasance, and has even gone to the length of passing some snide comments on the finance minister's conduct in office; it has showed a perverse interest in the nexus that might be existing between the prime minister's son holding the directorship of a company and the advance of a hefty loan to it by a major participant in the famous scam. As if all this were not enough, the rate of industrial growth continues to be obstinately sluggish, in some months it is actually negative; foreign investment refuses to come in; the government was held to high ridicule, and worse, over Kashmir at the Vienna meet. All that the government is currently capable of is to drown its sorrow in Coca Cola, which it has decided to re-welcome in the country. In the circumstances, call the Punjab chief minister's declaration an act of blackmail, call it by any other fancy name, but alienating the Beant Singh-Gill combine is simply not in order. Punjab will hence, with effect from the day its chief minister chooses, stop making repayments to the centre. Its citizenry may enjoy the highest per capita income in the country; the state may have received over the years central subsidies, under several heads, adding up to thirty or forty or fifty thousand crore of rupees; its prosperity may be eye-boggling. None of these considerations is going to matter. Those who have will be exempt from meeting their debt obligations; only the nation's meek will assume the burden of loan repayments. If only you would think a while, this is in harmony with the quintessential classical concept of natural justice. In the early state of nature, life was nasty, brutish and short, while might was right. Chaperoned by Punjab, we are about to return to that idyllic epoch of justice: might is right, Punjab will not, repeat not, repay its loans.

The habitual worriers are, in these unquiet times, likely to concentrate on Article 14 of the Constitution and the Duesenberry demonstration effect. Article 14 is full of outlandish notions; all citizens, it says, are equal before the law. Were this to be true and all citizens were to be claimed to be equal before the law, some fuddy-duddy of a constitutional expert could offer the view that all states too were equal before the law. There could be some trouble in case he could not be prevented from approaching the Supreme Court with this strange interpretation of what constitutes legality. The only saving grace would be the precedent of Ayodhya. Ayodhya has indicated in the clearest possible terms that the authorities were not particularly keen to act according to the notions of legality as laid down by the Supreme Court. Post-Ayodhya developments have revealed a yet more redeeming feature of the nation's legal system: the Supreme Court itself is not unduly disturbed if its injunctions fail to be honoured by the government. Therefore, despite Article 14, and despite any judgments that might be delivered by the nation's highest court apropos of the issue of equality before the law, the authorities might have little difficulty in continuing to treat Punjab as nonpareil among the

states, and proceed accordingly.

That is, however, only part of the problem. Some other implications inhere in the chief minister's pronouncement. Punjab, as luck would have it, would set an example once the chief minister's threat is carried out. It would set an example of fiscal insubordination. A number of other states would feel sorely tempted to get into the act. They would not even bother about hiring a constitutional lawyer, or making a representation to New Delhi. Quoting the Punjab chief minister, they too would suspend remittances to the centre. For understandable reasons, much hero-worship abounds in the neighbourhood. Given the feats performed by its chief minister and its director-general of police, the state of Punjab constitutes the role model which the other states aspire to emulate: what Punjab does today, every other state is dying to do tomorrow. How do you then convince the administration in any of these states that, as far as this matter of non-payment of the centre's dues was concerned, Punjab's example was not for emulation. However hard one might try to convince them the other states are unlikely to budge from their position: a leader, in case he is truly a leader, must be a leader worth following in all seasons.

That would give rise to a tricky situation. Never say die though. A last ditch effort to save the day--and the New Delhi-ward flow of funds from the states--might be attempted by drawing attention to the special conditions obtaining in Punjab. That state was held to ransom for years on end by hordes of wayward militants; that state has been continuously subjected to fifth-column activities engineered by the intelligence agency of an inimical neighbouring country; Punjab happened to be the granary of the country, accounting for roughly two-thirds of the total procurement of rice and wheat; it was therefore essential to treat Punjab somewhat differently from other states; it might occasionally be necessary to tickle its ego.

This tenor of argument could however prove to be hazardous in the extreme. If the centre had invested as much funds on irrigation and agriculture in other states as in Punjab, these states too, it would be retorted, would have turned up huge farm surpluses. Besides, in no part of the country is there any dearth of ingredients which go to ignite economic or social discontent. And this is on the authority of Indira Gandhi: with the possible exception of Madhya Pradesh, every other state belonging to the Union of India either flaunts a common border with a foreign country or looks out to the sea; it is therefore no problem to import some turbulence or insurgency from outside. Given the additional stimulus which breakneck globalisation is providing, it would be easy for the resident populations of any of the other states to do a Punjab at the drop of a hat. Every state would like to fall in love with fiscal indiscipline; every state would like to start a good clean insurgency, never mind if it costs a few thousand lives each year and destabilises the system, in case that would be the ideal *deus ex machina* for commanding the centre's deference. Admiration of Punjab could also in no time turn into resentment over the seemingly unfair advantages that state had been allowed to enjoy, accompanied by hostility toward the centre which had gone along with these discriminatory arrangements.

In such an eventuality, in what condition would the polity discover itself? A politically integrated system presupposes, one dares say, moral integrity. This morality cannot quite be compartmentalised. An administration, stamped by the stigma of immoral conduct in money matters, would obviously be gravely handicapped to pretend to adopt a moral stand on issues affecting centre-states relations too. If it were to make concessions to Punjab, it would jolly well be forced to make similar concessions to other states, or otherwise face trouble. This trouble would perhaps straddle several states. Up to a point, it is relatively easy to put down rebellion in just one state; if four or five states were simultaneously on the warpath, and, in addition, they believed that morality was on their side, the centre could soon discover that it was fighting a forlorn battle.

Should we be surprised? What we are witnessing is hardly a variant of the modish systems failure. The system is not failing, it is being destroyed. Once thievery and corner-cutting are installed as the nation's basic philosophy, about everyone becomes an active participant in the great game of taking a pot-shot at the given structure: the managing director of the country's leading bank lines his pocket, a member of the Planning Commission uses his office to take cuts on government orders, a minister ensures that his sons and sons-in-law stay very much in clover, and even the prime minister does not remain outside the orbit of suspicion. The Beant Singhs are archetypal soldiers of fortune, they want to take advantage of the logic of the situation. Sooner or later, others would, with full justification, join the game, the bell would toll, boisterously, for all.

We would have reached this fate in any case, but globalisation, there could hardly be any doubt, has accelerated the process. A crossing between our own meanest instincts and the worst of the modes and manners of predatory western capitalism has taken place. The outcome is conduct denuded of the last shred of scruples, be it in the purchase of foreign guns or foreign petroleum crude, in the administration of justice, or in the management of centre-states relations. Such a country might still survive; that would be a miracle.

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All the Answers

Bagaram Tulpule

Though the finance ministry's document is described as a 'discussion paper', it does not raise any problems or issues, but asserts the correctness of what has been done in the past two years and sets out what needs to be accomplished in the coming years. The finance ministry has all the answers and does not really need any further examination of what needs to be done and how.

"WHY do millions of our countrymen and women who migrate abroad prosper?" asks the 'discussion paper' on 'Economic Reforms: Two Years After and the Task Ahead' put out by the finance ministry of the government of India. It proceeds to give an answer to the question which is so simplistic that it would be amusing if it were not so misleading, even mischievous. The answer, according to the authors of the paper is, "because the environments they go to reward hard work, efficiency, discipline and social responsibility". Cultivate such an environment at home and 900 million Indians will enjoy the fruits of prosperity without migrating. That is the brief, simple vision of our finance ministry. One wonders what reply the authors of the document would give if asked, 'How come that in those very countries which provide such benign environments for prosperity, millions and millions of their own people fail to prosper and have to live without jobs, shelter, adequate education and health service and without hope and why are their numbers rising?'

But the authors of the document do not expect such questions to be asked. In fact although the document is described as a 'discussion paper', it does not raise any problems or issues, much less doubts, but asserts the correctness of what has been done in the past two years and sets out what needs to be accomplished in the coming years and how that will be accomplished. Judging by the tone of the paper, the ministry has all the answers and is sure of their correctness and does not really need any further examination of what needs to be done and how.

Ritual references to poverty amelioration, improving the quality of life of our people, not burdening the poor with the costs of economic restructuring, expanding employment opportunities and social services like education and health at the primary level, facilities and incentives to small and marginal farmers and to small industries and so on are strewn all over the document. But these clearly do not constitute the meat of the document; the meat is in the claimed achievements of the policies and measures adopted so far and to be continued in future for further stabilisation, globalisation and restructuring.

The part of the document dealing with the past two years of economic reforms narrates the steps taken and gives tables and charts showing the fall in the annual rate of inflation and in the fiscal deficit of the union government, the movements of macro-economic indicators, the rates of growth of GDP and industrial growth, imports and exports, foreign currency reserves and so on. The by now familiar claim of impressive improvement in all these parameters is repeated and it is mentioned that these results have been achieved through the policies pursued by government in the form of devaluation of the rupee, fiscal discipline, liberalised industrial and trade policies, drastic reduction in controls of all kinds, in customs duties and in direct taxes. The paper expresses the view that "over time, reforms in industry, trade and payments regime would promote a pattern of industrialisation which is both sufficiently labour-intensive and also internationally competitive". While claims regarding the prospect of growth and competitiveness are not new, it is not clear how the 'sufficiently labour-intensive' character of future industrial growth is predicted, especially since the stress of the new industrial policy is on import of advanced technology and machinery and on direct foreign investment (DFI) by MNCs.

While crowing over these results, the paper makes only a passing reference to the country's external debt, without giving any figures of the steep increase in it, and to the securities scam. Nor does it give any figures about plant closures, retrenchment, amount of compensation from the so-called National Renewal Fund (NRF) during the past two years or that are likely to come in the coming years.

A particularly bold claim made in the paper without citing the slightest supporting evidence is, "the process of deregulation and debureaucratisation of the industrial licensing system has evoked a strong positive response from both producers and consumers. Costs have declined, uncertainty has been reduced and greater attention is being paid to consumer needs, innovation and output expansion. The consumer is beginning to reap the benefits of competition in terms of better quality and reasonably priced manufactured products." Such official information as is available, far from supporting this specious claim shows that the production index for manufactured goods has moved up only sluggishly and, according to the paper's own admission, has suffered a setback during recent months allegedly due to Ayodhya and the troubled times that have followed. The wholesale prices of manufactures are also still rising, if perhaps at a somewhat slower pace than in the past. And the claim about consumers getting better quality of manufactured goods is impossible to verify.

Outlining and justifying the policy relating to DFI, the paper seeks to allay the fears about our economic independence being swamped by MNCs by pointing out that "the total investment in the industrial sector in India in 1992-93 was about Rs 66,000 crore and is growing at about 8 per cent per year in real terms. Even if foreign investment were to reach $ 1 billion in 1995-96 it would form less than 4 per cent of total industrial investment in India. The notion that this will swamp our independence is unwarranted." If this is the relative magnitude of DFI that India hopes to get in the next few years, several questions come to mind. When the country's doors were thrown open for DFI, a figure of $ 2 billion per year was mooted as the likely inflow. The present paper itself mentions this figure as the targeted inflow by 1996-97. Yet even $ 1 billion by 1995-96 is deemed optimistic in the paper itself. Does this mean that the original quantum of expected DFI has turned out to be unrealistic or that the new lower figure is being mentioned merely to allay the fear of doubters?

Secondly, if DFI is going to be so measly even by 1995-96, what does one make of the high hopes held out about DFI contributing to significantly faster industrial growth and employment generation? Thirdly, if even with an annual investment in industries of the order of Rs 66,000 crore and more, total employment in that sector remains virtually stagnant, what hope is there that industrial growth under the new economic policy will create new job opportunities to any substantial extent in the near or even medium term?

The paper recognised that the new policies, especially in relation to public sector enterprises, will lead to loss of jobs. But this loss of jobs is viewed as 'temporary' and we are assured that the burden on the displaced workers will be minimised through compensation, retraining and redeployment with the use of the NRF. These assurances are clearly unconvincing. When new jobs are not seen to be coming up in the industrial sector in significant numbers, to say that retrenched workers will face only temporary unemployment, that their interests will be adequately protected through payment of compensation or that through retraining they will readily find alternative jobs is, to say the least, hardly honest. As said earlier, the paper gives no information whatever about how many workers have received compensation, retraining and new jobs through the NRF and what is projected to be the probable dimension of the task in the next few years.

Besides, the question of job losses due to the new policy is not limited to the public sector alone. In fact it is of far larger proportions in the private sector in which, for the past many years, employers have been laying off workers and closing down industrial units in total disregard of the provisions of the Industrial Disputes Act. Most large units in the private sector, especially MNC-controlled ones, have been paring down their workforce steadily for the past several years through various devices including voluntary retirement with enhanced retirement benefits.

The part of the paper dealing with the policies and programmes for the immediate future is a mix of some specific proposal and many vague and general statements of intentions. The specifics are in the nature of 'more of the same': further reduction in fiscal deficit, in customs duties on imports and in rates of income tax, further removal of controls and regulations, incentives for DFI, reduction and progressive phasing out of most subsidies, reform of the financial system and capital market, disinvestment of equity of profit-making public sector enterprises and closure of terminally sick ones, safety net of NRF to workers who lose their jobs because of the new industrial policy, and so on. The vague and general statements of intentions are in respect of small industries, public distribution system, employment generation, agriculture in general and small and marginal farmers in particular, primary education and health services and so on. Some examples: "the effectiveness of the family planning programme will need to be greatly improved..."; "village industries and crafts will need more effective systems of technical, marketing and credit support..."; "creating an environment in which banks will have better incentives to lend more to agriculture, small industries and other priority sectors"; "...major improvements in tourism facilities and infrastructure..."; "further measures to attract foreign investment in labour-intensive sectors..."; "small industry needs help to overcome market imperfections which affect its access to credit, technology and marketing support"; "agricultural policy must also upgrade the quality of research and extension support...devote greater attention to improving rural infrastructure...developing and propagating technologies for dryland farming..."; and "land and tenancy reform, special attention to providing irrigation and other infrastructure services to small and marginal farmers and restoring the health of the rural credit system are key elements for enhancing the incomes and productivity of small farmers".

The topics of employment and poverty alleviation are disposed of in two brief paragraphs and although the question of employment recurs at several places in the paper, the whole tone of the paper clearly shows that this is only incidental to various other subjects and not one with much importance of its own. The authors are themselves not convinced by what they say about employment generation, for, they observe "nevertheless, there is a danger that the poorest segments of our society are bypassed by the virtuous cycle of growth in incomes and employment." For such people, the only hope the paper holds out is of IRDP and the Jawahar Rozgar Yojana.

Predictably, the paper calls for a review of the present industrial relations legislation and here it is quite specific. It wants what it calls 'excessive rigidities' as well as the requirement of government approval for closures and retrenchment to be removed. This, according to the paper, will provide incentive for investment and increased employment. It is also ingeniously argued that if employers find that once they employ a person they are not necessarily stuck with him for ever, they will have less incentive to adopt labour-saving technologies. Thus, the freedom to hire and fire which was circumscribed through long and bitter trade union struggles and by law, is to be restored to employers and that, we are asked to believe, will increase employment.

The excessive rigidities cited in the paper are nothing but a myth anyway. Employers have found any number of ways of getting round the legal provisions, including disregarding them altogether. Not filling vacancies occurring due to natural separation, carrying a sufficiently large number of casual or temporary employees and such other practices are standard in most industries. Even in the public sector, the so-called rigidities are the result of management inaction and reluctance to take hard decisions and political interference rather than of the legal provisions.

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New Challenges for Bengal Left
Panchayat Poll Pointers

Dipankar Bhattacharya

The portents of the fourth panchayat elections in West Bengal merit close critical attention from both activists and academics. On the one hand, there are definite symptoms of a dangerous revival of right-wing politics; on the other, there are also growing prospects of a new phase of radical activism of the rural poor.

THE three-tier panchayat system of West Bengal went through another round of elections on May 30. In West Bengal, the panchayats are known as pillars of the CPI(M)'s power-base and the fourth panchayat poll under Left Front rule, held on the eve of the Left Front government's 16th anniversary, was not expected to throw up anything unsettling in Bengal's settled polity. In fact, with the Congress lying discredited and thoroughly disorganised and the BJP threatening further cuts into the thinning Congress support base, the Left Front, particularly the CPI(M), had hoped to romp home with a still larger majority.

But the results (Tables 1 and 2) showed that the top four Left parties' combined share of gram panchayat (GP) and panchayat samiti (PS) seats had declined by 8.07 per cent and 6.51 per cent, the CPI(M) alone losing 6.51 per cent and 4.80 per cent, while the Congress(I) and BJP had improved their respective positions by 3.40 per cent and 3.82 per cent at the GP level and by 4.34 per cent and 1.29 per cent at the PS level. For the BJP, it was the party's first full-scale intervention in the panchayat poll and it successfully edged out the RSP to occupy the third position at the GP level. It was only at the highest layer of the three-tier pyramid, the zilla parishads, that the Left Front could almost retain its earlier relative strength, restricting the Congress(I)'s gain to mere 1.71 per cent and preventing the BJP from making any inroad.

If the poll outcome thus contained some elements of surprise, the other feature that distinguished the fourth panchayat elections from the previous three rounds or from all major electoral exercises so far under 16 years of Left Front rule was the spate of poll-related violence which claimed more than 50 lives in different incidents in different parts of the state. The most gruesome and widely condemned incident took place in a village called Karanda under Memari police station of Barddhaman district, the strongest rural fortress of CPI(M) wherein five agrarian labourer activists of Indian People's Front (IPF) were hacked to death and another 30 seriously injured in a brutal CPI(M)-led massacre on May 31.

Evidently, even though the new 'permanent settlement' in CPI(M)-dominated rural Bengal has not been unsettled, somewhere something has started going 'wrong'. The portents of the fourth panchayat poll of West Bengal therefore merit close critical attention from both activists and academics.

CPI(M)'s Panchayat Perspective

CPI(M) ideologues have an easy explanation for the poll outcome (and also for the killings). The main culprit, according to the state committee of the party, was an undeclared alliance between the Congress(I) and BJP which ensured that instead of BJP eating into Congress(I) votes, both gained through mutual connivance. Some CPI(M) leaders also lament that the Left Front, on the other hand, put up a divided fight in many places yielding additional advantage to the Congress-BJP combine. The party general secretary has however not stopped with this analysis. Introducing a new theoretical argument, Harkishen Singh Surjeet has said that in a three-tier panchayat poll, political trends are reflected only at the highest, zilla parishad, level where the CPI(M) has retained its strength. The voting pattern at the lower levels, especially at the lowest tier of gram panchayats, is prompted by local, non-political considerations and hence we should not read anything 'political' in the GP- and PS-level poll results.

Such arguments, however, raise more questions than they answer. If the Congress and BJP have been conniving with each other in matters of economic and foreign policies and on major domestic issues like Punjab and Kashmir, Assam and Ayodhya, there is no reason why this 'ideological proximity' should not assume practical shape in electoral politics especially *vis-a-vis* the Left. The point to ponder is why the Left Front model is not able to stand up to the threat posed by Congress-BJP collusion. Moreover, it is not true that the BJP has only gained by colluding with the Congress or by winning over sections of disheartened Congress supporters; there is disturbing evidence of the BJP making inroads into the Left's own support-base. Similarly, the CPI(M) cannot evade the question of Congress(I) revival. It should be a matter of serious concern for the Left if at a time when the Congress is losing ground in the rest of the country, it is able to improve its position in Left-led West Bengal despite its discredited, demoralised, disorganised condition.

As for the allegedly non-political character of grass roots-level electoral behaviour, one wonders how the CPI(M) ideologues would have responded had the party been able to maintain or strengthen its earlier hold. It is patently contradictory to parade the panchayats as institutions of grass roots democracy and to dismiss in the same breath the panchayat poll results as statements of non-political narrow local preferences of the rural masses. Of all institutions of parliamentary democracy in India, the village panchayat is physically the closest to the electorate and as such its affairs are subjected to a relatively high degree of transparency and public scrutiny. In this sense, panchayat polls will always be informed by a strong local element and the refusal of the rural electorate to subordinate all their immediate real grievances to remote broader concerns cannot be denounced as non-political behaviour.

In fact, to attribute the dynamics of rural political life to narrow local factors is to negate the very significance of the countryside as a key arena for waging class struggle not as a modified extension of macro-level politics, but as a direct, independent phenomenon with its own agenda and ambit. Such an approach alone can weaken the inertia of traditional non-class ties and integrate the diverse local impulses of rural society into the larger flow of class-based Left politics. Negation and neglect of class struggle was a root cause of the stagnation and eventual collapse of socialism in Soviet Union. Today's West Bengal is no post-revolutionary Russia and the panchayats are no Soviets, but the CPI(M) does display the same suicidal streak in its theory and practice of panchayat raj.

This rift between the CPI(M)'s panchayat philosophy and the Marxist perspective of class struggle is however no sudden development. The rhetoric of using governmental power at state or local level for promotion of class struggle, once a high point of CPI(M) propaganda, has

long been giving way to nationalist and constitutionalist discourse. The information brochure released on the eve of the recent panchayat poll by the CPI(M)'s daily Bengali mouthpiece *Ganashakti* projected the panchayat system in West Bengal as the most sincere realisation of the nationalist leadership's dream of grass roots democracy and rural development. Beginning with the Gandhian vision of 'gram swaraj' (village self-rule) to the Nehruvian scheme of panchayati raj, the brochure mentioned all its sources of ideological-political inheritance and inspiration, but conspicuously absent were any references to the legendary 'tebhaga' and land movement of West Bengal!

Bureaucratic Stagnation

Devoid of the perspective of class struggle and radical reforms, the panchayats in West Bengal have been reduced to a mere implementing agency for routine programmes of rural governance and 'development'. Lacking imagination and initiative and neglecting the crucial element of speedy implementation of agrarian reforms through popular participation and public accountability, they have fallen prey to all the assorted maladies that go with bureaucracy. And this indictment of the panchayat system has come not from 'ultra-Left' activists or academics but from former civil servants like Debabrata Bandyopadhyay and Nirmal Mukarji, the former of whom was keenly involved in the formulation and implementation of the much-acclaimed agrarian reforms of West Bengal.

In their report to the West Bengal government (*The Statesman*, Calcutta, June 16 and 17, 1993 and *Mainstream*, June 26, 1993), a shocked Bandyopadhyay (former union secretary for rural development) and Mukarji (former union cabinet secretary) have pointed out that the panchayats have virtually excluded land reform from their agenda. The report showed that between January 1982 and September 1992 only 94,031 acres of injunction-free vested land had been distributed out of an available stock of 3,52,799.09 acres, at which rate it would take another 30 years to complete the job of land distribution. Meanwhile, the second and third amendments to the West Bengal Land Reforms Act have not only not yielded any additional amount of surplus agricultural land, but panchayat records show a net reduction of 79,675.4 acres.

One does not know if and how Jyoti Basu's government will explain this land-scam right behind the limelight of model land reforms, but it is interesting to note that of the 8,10,947.22 acres of vested agricultural land distributed so far in West Bengal, as much as 6,20,215 acres had been distributed before January 1977, that is during the pre-Left Front, pre-panchayat phase. And to go by the claim of CPI(M) politburo member and West Bengal's land and land revenue minister since 1977, the distribution of almost 6 lakh acres had been effectively completed by March 1970 itself, that is during the short-lived tenure of the United Front governments of late 60s. In other words, 16 years of stable, uninterrupted Left Front rule has not been able to achieve even with the backing of a full-fledged elected panchayat network what the unstable short-lived United Front governments could do under the pressure of a vigorous land movement even without any panchayati raj apparatus. Could there be a more eloquent testimony about the real nature and role of panchayati raj in CPI(M)-ruled West Bengal?

The report also notes the petering out of the Barga operation since the mid-80s. At the present pace, it would take another 15 years to complete the recording of the state's still unrecorded five lakh odd bargadars. Moreover, recording barga or allotting 'patta' is the relatively easier part of tenancy or land reform; the challenge is to enable the poor bargadar or patta-holder to grow into viable small farmers by ensuring necessary credit and infrastructural facilities. The report observes that the panchayats have as a rule not taken any interest in enforcing the 3:1 crop-sharing formula or the stipulated minimum wages. On the contrary, the authors are shocked to find an all-pervasive preoccupation with pompous central schemes like Jawahar Rozgar Yojana, funds for which are already drying up under the influence of the IMF-WB inspired new economic regime.

Contrary to the CPI(M)'s claims of effective empowerment of the rural poor through the panchayat network, the report finds that downward devolution of power stands arrested and power remains firmly entrenched in the hands of the rising middle sections of rural society. Judged by the yardstick of direct land ownership or cultivation, many members of these middle sections may appear to belong to the category of small and marginal farmers, but land is often a misleading

Table 2: Losses and Gains of Different Parties in 1993 Elections

Tier	Gains in Percentage			Losses in Percentage			
	BJP	Cong(I)	Others	CPI(M)	FB	RSP	CPI
Gram panchayats	3.82	3.40	0.85	6.51	0.63	0.51	0.42
Panchayat samitis	1.29	4.34	0.68	4.80	0.70	0.48	0.33
Zilla parishads	Nil	1.71	1.07	0.21	0 75	1.67	0.15

Source: *Mainstream*, June 26, 1993

Table 1: Seats Won by Different Parties in West Bengal Panchayat Elections in 1988 and 1993

Tier	Year	Seats	BJP	Cong(I)	CPM	FB	RSP	CPI	Others
Gram panchayats	1988	52,473	32	12,239	33,834	1,398	1,581	907	2,482
		(100.00)	(0.06)	(23.33)	(64.48)	(2.66)	(3.01)	(1.73)	(4.73)
	1993	60,965	2,367	16,292	35,342	1,238	1,526	799	3,401
		(100.00)	(3.88)	(26.73)	(57.97)	(2.03)	(2.50)	(1.31)	(5.58)
Panchayat samitis	1988	9,116	3	1,687	6,550	227	276	117	256
		(100.00)	(0.03)	(18.51)	(71 85)	(2.49)	(3.03)	(1.28)	(2.81)
	1993	9,446*	125	2,158	6,333	169	241	90	330
		(100.00)	(1.32)	(22.85)	(67 05)	(1 79)	(2.55)	(0.95)	(3.49)
Zilla parishads	1988	657	nil	62	531	22	25	7	10
		(100.00)		(9 43)	(80 82)	(3.35)	(3.81)	(1.07)	(1.52)
	1993	655*	nil	73	528	17	14	6	17
		(100.00)		(11.14)	(80.41)	(2.60)	(2.14)	(0 92)	(2.59)

Note: Figures in brackets indicate percentages. 'Others' include a few parties of the Left Front as well as non-Front Left parties like the Kamal Guha-led Forward Bloc faction, dissident CPM groups, SUCI and IPF.

* Seats where elections have been countermanded and where results have been withheld due to court order have been excluded.

criterion to locate a class which is essentially composed of village professionals ranging from teachers and shopkeepers to brokers and commission agents, a class which thrives on the burgeoning rural service sector. And when the panchayats become synonymous with an elected 'popular' bureaucracy manned primarily by a coalition of the traditional and upcoming rich and middle strata of the rural society, it is not difficult to understand how and why institutionalised loot and corruption have become an essential embellishment of the whole panchayat system.

Behind 'Poll Violence'

Despite growing grievances about the working of the panchayats and unmistakable challenges to the CPI(M)'s hitherto overwhelming electoral supremacy, the party still has a comfortable majority at all levels of the three-tier panchayat system. The level of violence witnessed in the panchayat poll may therefore appear quite out of proportion with the real electoral stakes, especially when we consider a case like Karanda where the IPF could hardly be treated as a serious electoral threat to the CPI(M)'s well-entrenched rural hegemony. Moreover, the carnage took place on the morrow of the polling day when it was well known that the two IPF nominees for the GP had finished a distant second, lagging by nearly 250 votes behind their victorious CPI(M) rivals.

Of course, the logic of the massacre becomes a bit more comprehensible when we look at the pre-poll build-up of 'tension' in the area. Yet, even this tension cannot be explained in sheer electoral terms. Even in this election, more than a thousand CPI(M) candidates were elected 'unopposed' from Barddhaman district, and but for the IPF's 'audacity' to field nearly 300 nominees in the district, the tally of such unchallenged CPI(M) victories would have been higher. Of the nearly 300 seats IPF contested, it could win only four and secure second position in some 120 seats. Yet in most of these 300 cases, IPF candidates and activists had to withstand constant terror, intimidation and physical attacks which ultimately culminated in the heinous carnage at Karanda.

To understand the logic behind the various incidents of poll violence, we have to look at the deeper social processes beneath the political surface. We will then understand that however much the ruling Marxists of West Bengal may try to banish class struggle from their theory and practice and promote the panchayats as platforms of class harmony to reconcile conflicting class interests and identities, in its own way the objective process of history is reinforcing class divisions and conflicts.

Here it may not be out of place to observe that just as every incident takes on a caste appearance in Bihar, in West Bengal everything goes on in the name of parties. Almost all cases of class conflict must invariably appear here in the form of inner-party dissidence or inter-party clashes. This is so for two reasons. One, over the years the CPI(M) has grown into an omnibus political banner housing a large-scale influx of the dominant interest groups of rural society; and, secondly, in the 'over-politicised' atmosphere of West Bengal 'party politics' permeates virtually every institution down to the local clubs and puja committees. Consequently, while on the one hand every minor incident immediately acquires a political colour, major events of class antagonisms are often created as mere 'family disputes' within or among political parties. It is true that in developed societies, class struggle is ideally mediated or articulated by parties representing diverse class interests, but when hostile classes share a common party, the flow of class struggle gets so much more complicated and muted.

To return to the Karanda incident, the agrarian labourers in question were all activists and supporters of CPI(M) till a few years ago, while inside CPI(M) itself, they had started opposing the dominant local coalition of jotedars and rich peasants who control not only the co-operatives and the developmental resources but also the local panchayat and party apparatus. It may be mentioned that the CPI(M) Rajya Sabha MP Ram Narayan Goswami and his brothers who belong to the neighbouring village of Karanda play a pivotal role in the affairs of this region. Now, it was only in the process of a growing struggle against the ruling alliance of vested interests, when the sharpness and intensity of this antagonism outgrew the bonds of party allegiance, that the landless labourers of Karanda's 'purva para', the hamlet of predominantly scheduled caste agrarian labourers in the poor eastern end of the otherwise prosperous village, left CPI(M) and opted for the alternative radical Left banner of IPF. The panchayat poll to them was only an integral part of their running battle against the ruling nexus of vested interests.

It was this logic of class struggle which lent purva para its whole identity and rendered the entire para into a single object of hatred, a common class target, for the ruling babus of the area. This is why when the local CPI(M) leadership chose to teach a lesson to the rebels of Karanda, who had been emerging as a rallying centre for the landless poor of the entire area, they chose the form of a massacre and not murder of one or two individuals. It is true that thanks to its strong party machinery and propaganda network, the local CPI(M) leadership could mislead a section of the rural poor and even utilise them as a mass cover to camouflage the actual crime and make the whole thing appear as an uncontrollable mass retaliation against the IPF's provocative activities. The press, too, initially tended to present the incident as an unfortunate clash between two sections of rural poor or as a deplorable case of mindless internecine warfare between two Left parties. But the truth could not be suppressed for long.

For a change, the police and civil administration too described the massacre as a pre-meditated one-sided affair. And in its bid to list the victims' criminal and provocative activities, the concerned zonal committee of the CPI(M) could point only to the former's insistence on enforcing a social boycott on certain corrupt co-operative functionaries who had embezzled Rs 3 lakh of co-operative funds as against the CPI(M)'s prescription of administrative action or such acts of 'anarchy' and 'disorder' as plucking a few fruits from a rich peasant's field. The discerning reader can surely find unmistakable parallels between the Karanda carnage and the November 1989 Danwar Bihta massacre in Arrah Lok Sabha constituency of Bihar when armed henchmen of an upper caste landlord had massacred a dozen persons to teach a lesson to the landless dalit supporters of IPF for daring to exercise their franchise—IPF had won the Arrah parliamentary seat in that election—or the recent killing of five labouring backward caste supporters of CPI(ML) in Chainpur village of Gopalganj district for sitting on cots in the presence of upper caste landlords.

Prospects and Challenges

If Karanda is any indication, rural Bengal is set to enter a new phase of agrarian tension. Neither the CPI(M)'s omnibus party apparatus nor the broad class balance of the 'panchayat settlement' seems capable of containing the growing class antagonism in the West Bengal countryside, especially in the region that has undergone a degree of modern capitalist development, for any great length of time. Moreover, coupled with rural society's own intensifying tensions which threaten to trip the panchayat's internal balance mechanism, the system will also have to face the destabilising effect of a growing 'resource crunch' according to the very logic of the new economic regime of liberalisation and globalisation.

To cover up this crisis and pass on its burden to the panchayats themselves, the

CPI(M) has revived talk of self-reliant, self-governed panchayats. According to the latest amendment to the Panchayat Act, the panchayats are entitled and expected to raise more and more of their resources from within by imposing levy and licence fee on almost all economic activities within their jurisdiction. If the panchayats are really to raise some resources through this arrangement they will have to hit out at the dominant coalition of vested interests in the countryside. Otherwise the panchayats will degenerate into direct agencies of impoverishment and loot of the rural poor or simply lapse into financial bankruptcy. Either way, the long spell of rural peace and order under the panchayati raj dispensation seems to be drawing to a close.

Another possible source of tension is the changed caste and gender composition of the panchayats. The fourth panchayat poll has filled a third of panchayat seats with SC/ST and women representatives. This surely marks a significant change in the pattern of base-level rural representation, though it is hardly likely to affect the composition of office-bearers or the decision-making process at any level. But even if these new representatives are denied direct accommodation in or access to the core structure and a good section is co-opted into the established order, the rural poor's struggle will surely benefit from every articulation of their experience and aspiration and every assertion of their specific interests and identities.

One may perhaps also look forward to two more favourable fall-outs. In the post-green revolution phase of Indian agriculture, West Bengal has attracted very little critical study and research. The CPI(M) has never tired of trumpeting its government's reforms and developmental achievements. Operation Barga and panchayati raj have also been lauded as the pinnacle of progressive rural reforms within the limited scope of a bourgeois set-up by the US based NRI and foreign researchers. But as an object of research in political economy and related fields of social sciences, the agrarian scene in Left-ruled West Bengal has ceased to excite researchers in West Bengal and elsewhere in India, particularly since the barga and land distribution campaigns began to run out of steam in the early 80s. Hopefully, the experiences of the fourth panchayat poll would change this situation and encourage a new series of critical investigations into the emerging agrarian reality of West Bengal.

And last but not the least, the post-poll situation should trigger off a process of rethinking in all serious sections of Bengal Left. Apart from the symptoms of Congress(I)'s revival and Congress-BJP collusion, the dominant CPI(M) response to the situation should be reason for additional concern for not only the non-CPI(M) Left, but even the CIP(M)'s own ranks and well-wishers. The CPI(M)'s aggressive pursuit of hegemony which now threatens to degenerate into what has come to be known as the politics of terror, something generally associated with the infamous 'Congress culture', will only corner the Left and pave the way for the backlash of a resurgent right. It is this trend of right resurgence which alone can bring even a rootless party like the BJP to the political foreground of West Bengal.

Fortunately, there are also some symptoms of a broad Left convergence against events like the Karanda carnage. On June 3, the entire district of Barddhaman observed a total bandh at the call of the IPF. Subsequent protest activities like a march to Writers' Building on June 8, unveiling of a martyrs' column at Karanda on June 22 and conventions against the politics of terror and massacre in Calcutta and different district headquarters have also attracted widespread support not only from Left forces outside the Left Front but also from major Front partners like RSP and CPI.

The fourth panchayat poll has thus left West Bengal at the crossroads. On the one hand, there are definite symptoms of a dangerous revival of rightwing politics, on the other hand there are also growing prospects of a new phase of radical activism of the rural poor. Here we have again a juncture when perhaps we can say that much of Indian future depends on which road Bengal chooses today.

Centre for Research in Rural & Industrial Development

2-A, Sector 19-A, Madhya Marg, Chandigarh-160 019 (India)

For the past some years this Centre has been engaged in studies on Ethnic Conflicts and Violence, population dynamics, development of border areas and technological perspectives for the industrialisation of the Northern Region. These studies are multi-disciplinary and inter-disciplinary in approach and involve extensive fieldwork as well as collection and analysis of the necessary secondary data. Also included in the studies is a programme of providing training to junior research staff in research methodology and for award of M.Phil and Ph.D Degree by arrangement with the Punjab and Punjabi Universities.

In its present programme of expansion, the Centre is looking for Research Investigators, Research Fellows, Senior Research Fellows and Associate Research Coordinators (Corresponding to the position of Lecturers, Senior Lecturers and Readers) in the revised UGC Scales.

The Centre shall be happy to receive applications, recommendations and response for these posts. Candidates with specialisation in *Statistics, Economics, Population Studies, Demography, Sociology* and related social science disciplines with experience of inter-disciplinary research will be preferred.

Please apply within a fortnight from the publication of this advertisement to the Chief Research Advisor, on the above address.

Indian Patents Act and TRIPS

Suman Sahai

An examination of the differences between TRIPS and the present patents system in India brings out clearly why adoption of the former will be detrimental to research and development and self-reliant growth.

IN India under the Patents Act of 1970, a patent means the exclusive right of the inventor to use his invention for a particular period. The basic principle underlying the grant of patents is that the invention must be new and useful and capable of industrial application. The basic philosophy of the Indian Patents Act is embodied in Section 83 of the Act:

> that patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay;
>
> that they are not granted merely to enable patentees to enjoy a monopoly for the importation of a patented article.

Among other things, the discovery of scientific principles, inventions injurious to public health, a method of agriculture or horticulture or the treatment of human beings, animals or plants are not considered as inventions and therefore are not patentable.

Although not explicitly stated in the law, going by the underlying objectives of the Indian Patents Act and the fact that methods of agriculture or horticulture or the treatment of human beings, animals or plants are not patentable, it is argued that living things are not patentable. Therefore plant or animal varieties or biological processes for the production of plants or animals will not be considered to be patentable. Inventions relating to atomic energy are also not patentable.

The Indian Patents Act also makes a distinction between Product patents and Process patents. (Patents for the product itself as opposed to the patent for the process of making a product.) Only Process patents can be granted for food products, medicines and chemicals. This means that only the method of production can be patented and not the end product.

The general term of a patent is for 14 years. However, for certain Process patents used for medicine, food and drugs the term varies from five to seven years. In addition the state can impose any condition on the grant of a patent. The central government can use a patented invention in specific circumstances without the payment of royalty. A patent can also be used for experiment or research or imparting instructions to pupils.

Keeping in mind the objectives of encouraging industrial progress, and working of inventions in India on a commercial scale without undue delay, the Indian Patent Act has provisions for Compulsory Licensing and Licence of Right. As already mentioned, a patent is given for the exclusive use of an invention for a limited period of time.

If within this time this patented invention is not used, the government can force the patentee to license the invention or it can revoke the patent on the ground of Non-Working, i e, the patented invention has not been put to use in India. In the food, medicine and chemical sectors, automatic Licence of Right is granted after the expiration of three years of patent. This means that three years after a patent has been granted in any of these sectors, any person is free to use the invention without the permission of the permit holder, although he or she has to pay royalty to the patent-holder.

The idea behind the patent system was to encourage and maintain a continuous flow of inventions. It was thought that with new processes and products created, new and better products would be manufactured, leading to the expansion of industry. Employment, wealth and higher standards of living are supposed to be then generated. The patent system was therefore created in the interest of the national economy as well as in the interest of the inventor.

If one traces the history of the international patent system, it can be seen very clearly that there is a definite correlation between the economic, technical and industrial development of a country and the patent protection granted by that country. In the early phases of industrial development, many of the industrialised countries had either no patent system at all or very weak patent systems. As they became more industrialised, they began to strengthen their patent systems. It is therefore necessary for India to build up her industrial and technological base before allowing a high degree of patent protection.

The idea behind granting only Process patents for food products, chemicals and medicines is to keep down the price of these items, as the majority of the Indian population is poor and does not have enough food and basic health care. Besides, a large majority of the population is dependent on agriculture for sustenance and livelihood.

The granting of Process patents means that the Indian agricultural, food and pharmaceutical industries have the freedom to find processes of manufacture that are cheaper and suitable to Indian conditions. And indeed as a consequence Indian medicines are among the cheapest in the world. Until the mid-60s and 70s the patent law of many industrialised nations allowed only Process patents in the chemical and pharmaceutical sectors. Italy, for example, allowed Product patents only in 1982.

The idea behind Compulsory Licensing and revocation of a patent for non-working is that a useful invention that is patented in India must be put to use in this country. Otherwise a patent-holder could sit on a patent, not manufacturing the product himself and not allowing anyone else to manufacture it either.

The Dunkel Draft gives equal treatment to inventors all over the world irrespective of the country of origin. The section on Trade-Related Intellectual Property Rights (TRIPS) states that all countries have to provide protection to plant varieties either by patents or by another effective *sui generis* system. The only *sui generis* system that exists today is the Plant Breeders Rights, codified under UPOV. This operates in developed countries but not in India and other developing countries.

PBRs confer on the holder the exclusive right to produce seed of the protected variety for the seed trade and control of its marketing. Codified in UPOV, PBRs offered monopoly on sale of the variety, but not on the variety itself or its genes.

Thus any plant breeder could use any protected variety for further breeding work. This was referred to as the Breeders Exemption. The other Exemption granted under PBRs is the Farmers Exemption. According to this, once the farmer had bought the protected seed, he had the right to use it to produce seed for himself for as many sowings he liked.

In 1991, however, under tremendous pressure from the US, UPOV was compelled to amend the PBRs, making it more or less the same as patents. The Breeders Exemption has been done away with completely. The Farmers Exemption has been made optional and can only be granted if the PBR holder allows it. This, it can be understood, will almost never happen since the PBR holder will want to maximise his sales and will certainly not allow farmers to produce seed for themselves which they otherwise would have to buy from him. Thus the amended form of PBRs offer the same kind of iron-clad protection that patents do.

The major differences between TRIPS and the Indian patents system are:

(1) The proposed TRIPS completely eliminates the use of pure Process patents. Under TRIPS there can only be a Product patent. As already demonstrated, the use of pure Process patents in critical sectors like food, chemicals and medicines has kept down the prices of these commodities, which will not be possible any more.

(2) Under the proposed TRIPS all subject matter, including living organisms like plants and animals, are patentable; there can be no exceptions as in the Indian Patent Act.

(3) The proposed TRIPS provides that the general term of a patent shall be 20 years. The Indian Patents Act provides for a general term of 14 years for both Product as well as most Process patents. In sectors like food, chemicals and medicines, Process patents are granted for a duration of five to seven years.

(4) A patent cannot be revoked for 'non-

STATE BANK OF BIKANER AND JAIPUR

Abridged Balance Sheet as on 31st March, 1993 & Profit and Loss Account for the year ended on 31st March, 1993

(000's omitted)

	AS ON 31.3.1993 Rs.	AS ON 31.3.1992 Rs.
CAPITAL AND LIABILITIES		
Capital	**20,80,00**	20,80,00
Reserves & Surplus	**44,28,19**	36,69,39
Deposits	**29,26,33,77**	25,30,15,52
Borrowings	**1,14,04,83**	88,52,15
Other liabilities and provisions	**5,40,96,70**	5,06,66,41
TOTAL	**36,46,43,49**	31,82,83,47
ASSETS		
Cash and balances with Reserve Bank of India	**5,45,27,22**	4,17,90,16
Balances with banks and money at call and short notice	**78,11,12**	47,26,93
Investments	**10,59,40,60**	9,81,82,43
Advances (net of provisions)	**17,11,54,47**	15,07,56,87
Fixed Assets	**22,54,58**	21,04,40
Other Assets	**2,29,55,50**	2,07,22,68
TOTAL	**36,46,43,49**	31,82,83,47
Contingent liabilities	**5,94,64,11**	5,92,46,42
Bills for collection	**1,78,12,96**	1,47,00,24

	Year ended on 31.3.1993 Rs.	Year ended on 31.3.1992 Rs.
I. INCOME		
Interest earned	**3,83,44,29**	3,69,34,49
Other income	**60,98,24**	51,12,21
TOTAL	**4,44,42,53**	4,20,46,70
II. EXPENDITURE		
Interest expended	**2,69,08,27**	2,11,79,90
Operating expenses	**1,27,86,93**	1,12,90,85
Provisions and contingencies	**36,97,33**	86,25,95
TOTAL	**4,33,92,53**	4,10,96,70
III. PROFIT		
Net Profit for the year	**10,50,00**	9,50,00
Profit brought forward	**6**	6
TOTAL	**10,50,06**	9,50,06
IV. APPROPRIATIONS		
Transfer to statutory reserves	**3,34,50**	3,07,50
Transfer to other reserves	**4,24,30**	3,51,30
Transfer to proposed dividend	**2,91,20**	2,91,20
Balance carried over to balance sheet	**6**	6
TOTAL	**10,50,06**	9,50,06

working' under the proposed TRIPS

(5) The proposed TRIPS prevents the grant of compulsory licences in the public interest

(6) Under TRIPS no ceiling can be placed on royalty demanded on patents like in the Indian Patent Act

(7) Importation will be treated as working of a patent in the proposed TRIPS, contrary to the patent philosophy in India

(8) TRIPS also reverses the burden of proof. Under the Indian legal system, the patentee has to establish a prima facie case that his patent has been infringed. However, under TRIPS the patentee will just have to accuse a person or a company of patent infringement and the person or company will have to prove that he did not infringe the patent.

The consequences of accepting the intellectual property regime demanded in GATT will be greatly detrimental to agricultural economies. Research and development will be hampered. Today scientists have access to exchange of information, experience and raw materials from all over the world. For example, a scientist working on breeding better wheat suited for the alkaline soils of the UP terai would have access to all wheat varieties in the world. All he has to do is write to some scientist working in another country and he will get a packet of seeds free, for experimentation.

Once plant varieties are protected by the patents or the revised plant breeders rights, scientists will have to pay royalty for using a protected variety of seeds. Even mere improvement of any variety cannot be done without the payment of royalty or a licence from the patent holder. Similarly, the farmer will not be able to improve his seed varieties. Nor will he be allowed to produce or sell seed.

Seed multiplication except by the patent holder will not be allowed. This means that the farmers will not be able to retain their seeds for their personal use. They will have to buy fresh seed for each crop. The farmer will also not be able to develop crop variants suited to local farming conditions and systems. In addition, farmers will not be allowed to sell seed to other farmers. Today inter farmer sales account for over 60 per cent of the seed requirements of Indian agriculture.

There will be an unprecedented hike in the price of fertilisers and medicines if Product patents are given in these sectors as alternative, cheaper and better adapted processes cannot be used. The new category of biofertilisers and biopesticides coming increasingly in use now, and based on living organisms like algae, bacteria and small plants, will also come under the purview of patents and get monopolised.

Building local technology capacity in biotechnology, the most dominant technology of today, will become very difficult if genetic resources get patented. For countries like India entry into critical branches of production like foodstuffs, pharmaceuticals, feedstock chemicals, etc, will be seriously hampered, undermining our efforts at self reliant growth.

Economic Reforms and Agricultural Policy

Kirit Parikh
Shikha Jha
P V Srinivasan

Though economic reforms cannot succeed without agricultural reforms, the current reform programme has neglected agriculture. Report on a seminar focusing on price policy and related issues of trade, stock and distribution policies; credit policy; and institutions, research, technology and human resource development.

THE discussion at the seminar on 'Agricultural Policy in the Context of Economic Reforms' organised by the Indira Gandhi Institute for Development Research, Bombay, on January 14 and 15 led to a surprising degree of consensus on a number of issues and some expected areas of disagreement. In either case, the range of opinions expressed illuminated the issues involved. This report reflects our understanding of the issues involved in agricultural policy reforms. It is not the proceedings of the seminar and none of the other participants at the seminar is to be held accountable for what we say here.

A number of speakers expressed the view that, in general, the reform programme has neglected agriculture. Even the changes in fertiliser subsidies can be seen as a budgetary exercise of the central government and not as part of a programme of agricultural policy reforms. If anything, the economic reforms made during the last one-and a-half years including fiscal management of the economy have affected agriculture adversely. Plan allocation to agriculture has been decreasing and very little funds are going to research and improvement in technology. Economic reforms cannot succeed without agricultural reforms. In particular, reforms in industries would be incomplete without reforms in agriculture. However, it was pointed out that while economic reforms have been mainly in industrial policy, they have also affected agriculture. Agriculture is directly affected by reduction in fertiliser subsidies. Also deregulation of processing industries is expected to stimulate their growth and affect prices that farmers receive for their produce. Reduction in industrial protection indirectly reduces the disprotection of agriculture. As industrial prices fall, the price of agriculture increases relative to that of non agriculture. Policies originating outside the agricultural sector such as industrial policies which affect domestic terms of trade and fiscal policies which affect real exchange rate can have significant influence on the agricultural sector. For example, conclusions based on studies of a number of developing countries show that almost three fourths of the tax on agriculture comes from policies followed outside agriculture. In particular, taxation due to industrial protection alone is very large. This is also true of India. This supports the conventional wisdom that developed countries protect while developing countries tax their agriculture.

Even though there are millions of farmers behaving as price takers, the agricultural sector is usually not allowed to be competitive. Governments often intervene in agricultural markets. Intervention is justified due to several reasons. First, there is a time lag between sowing and harvesting and there is uncertainty regarding the realisation of agricultural output. A complete set of future markets that can provide insurance against all possible outcomes does not exist. Second, the income distribution resulting from weather fluctuations and market forces may not be satisfactory. Third, food security is believed to be important to the nation and cannot be left to the market. Fourth, non price factors such as research and extension and technological improvement are important for agricultural growth. These are areas in which the government must play an active role, since private participation in these activities is often much less than optimal.

Present Policies

Farmers' output or sale prices cannot be fixed by linking them to cost of production because there is no way of obtaining these figures correctly. It is not possible to collect data for inputs as, unfortunately, there is no 'representative' farm whose costs can be considered to reflect the cost of all other farms as is assumed in economic theory, e g, by Marshall. In fact, there is a growing feeling among farmers that removing the subsidies on inputs such as water, power, fertilisers, etc, and allowing them to receive world prices would make them better off. That is, in

spite of giving them all the subsidies on inputs, the output prices are suppressed so much below world prices, that it amounts to a net taxation of farmers. Prices should, therefore, be fixed at market clearing levels for the output of a representative (normal weather) year or at the most one can tie these prices to normal world prices. Keeping prices artificially low does not lead to social or economic benefits in the long run. In spite of several regulations and price controls the desired objective of protecting the poor has not been achieved. Administered prices should therefore be confined to very few commodities. It is also necessary to have market-induced shifts from foodgrains to other crops which give higher returns and where production can increase more. This may create larger employment opportunities also. Shifts from staple to non-staple crops need not lead to rise in prices of the former.

Controls on agriculture have been restrictive, repressive and extractive. While concessions given to the industrial sector are called 'incentives', they are called 'subsidies' when given to agriculture. The fact that incentives to agriculture do work can be seen in the case of Punjab where the success of agriculture is mainly due to investment in irrigation and power (amounting to two-thirds of total agricultural investment). Punjab charges the lowest flat rate for electricity use and 40 per cent of its power supply goes to agriculture. As a result, most of the tubewells are run on electricity rather than on diesel.

Moreover, controls have stifled agricultural growth and diversification. Diversification of agriculture should not be prevented through controls. For example, Maharashtra has monopolised all the licences for sugar production and much of its irrigation is used (misused?) for producing sugarcane. Similarly, it is claimed that Punjab can outperform Gujarat in milk production because of its high quality of buffaloes and the good feed availability, but the centralisation of dairy development and the control on milk prices have prevented this from happening. Another example is that of molasses. Its price is fixed very low even though alcohol prices are very high. Location of sugar mills is regulated and khandsari producers invite no excise on molasses which the sugar mills do.

Zoning and restrictions on movement of grains hurt farmers in surplus states and consumers in deficit states. It is even illegal for farmers to hold more than a certain amount of stocks, which forces them to sell at prices lower than what they could have otherwise realised. Agricultural trade is mostly controlled and canalised and is generally geared to meeting the objectives of domestic price policy.

Agro-processing is controlled and generally discouraged. There has been an ambivalent attitude to agro-processing. Processed foods are considered luxury goods and invite taxation. This restricts markets for processed foods and discourages development of processing industry. It is not fully appreciated that processing benefits farmers.

Similarly the role of private traders in stabilising prices is also not fully appreciated. Traders, often called pejoratively hoarders and speculators, are often blamed for rising prices. In particular, the edible oil traders are supposed to constitute a cartel to counter which National Dairy Development Board (NDDB) carries out open market operations (and makes losses on it, according to a recent report).

Emerging Issues

The rate of growth of Indian agriculture has been higher in the 1980s as compared to the 1960s and 1970s. However, there has been a regional concentration of this growth. For instance, in the 1980s West Bengal recorded a growth rate of 7 to 7.5 per cent in the gross value added in agriculture compared to national average of 3 to 4 per cent. This agricultural growth, however, is not sustainable because a plateau has almost been reached due to the earlier technological upgradation. But, plan allocation to agriculture has been declining and very little funds are going for research and improvement in technology.

Sources of agricultural growth in the 1980s include an increase in input use: the use of fertilisers increased two to three times compared to the 1960s. But, there was a reduction in both private and public sector investment (mainly in the latter) with a fair degree of complementarity between these two. Where would future growth come from?

The policy of low output price and subsidised inputs is no longer sustainable. The subsidies on food and agricultural accounts now constitute a significant part of government budget and it is not possible for them to continue to grow as they have, without causing a serious fiscal imbalance. On that account alone, relative prices would have to change. In addition, industrial liberalisation has changed, and will further change, the relative prices of various industrial goods. The terms of trade between agriculture and non-agriculture gets altered unless agricultural prices adjust. Since the bulk of our population depends on agriculture, a fall in its terms of trade can have an undesirable impact on their welfare. Thus agricultural price reforms have to be a part of the economic reform programme.

The government has begun to take some steps to reform the agricultural sector. Subsidy has already been removed from phosphatic and potassic fertilisers. Zoning restrictions on foodgrains movement have been removed. Certain prices such as those of sugarcane molasses have been decontrolled and trade restrictions on items such as processed foods, fruits and vegetables have been removed. However, it was felt during the discussion that the government should prepare a document setting out the statement of objective and design of policy so that we do not come up with a set of policies which are inconsistent. The direction in which the government wants to move should be clear before embarking on policy reforms.

Three sets of issues in agricultural policy were discussed at the seminar concerning: (a) price policy and the associated issues of trade, stock and distribution policies, (b) credit policy, and (c) institutions, research, technology and human resource development (HRD). We report on these in turn.

I
Price, Trade and Distribution Policy

Price and trade policies are closely connected. With free trade domestic prices equal world prices. If domestic prices are to be different from world prices, an appropriate trade policy is needed. The discussion covered the following questions:

(a) Should India open up agricultural trade? Where is India's comparative advantage?

(b) Should the domestic output prices be equal to world prices? If not, what should they be?

(c) Is price stabilisation desirable? How should such stabilisation be brought about? Through public stocks?

(d) In what sequence should input subsidies be reduced (or removed)?

(e) What is the role of non-price factors in agricultural development?

(f) How effective is the public distribution system (PDS)? Does it reach the poor? How much support does it provide them?

A degree of self-sufficiency is desirable for some staple commodities: While there was a general consensus that India should move closer to the world prices, some reservations were expressed concerning the speed of adjustment. In the trade of many agricultural commodities, particularly foodgrains, India is not a small country. If India were to try to export five million tonnes of rice, it will depress global prices. On the other hand if it tries to import that much, world price will shoot up. The total world trade in rice is only about 16 million tonnes. Even in wheat, where the world trade is larger (around 80 million tonnes), India would find that its trade will affect world prices. Moreover, USA and EC both subsidise their exports. In exporting cereals, it would not be the Indian farmers who would be competing against the US farmers, but the Indian treasury against the US treasury.

Thus, even though India has a clear comparative advantage in wheat and rice production, *as long as world trade in these commodities is distorted by the rich coun*

should aim at a degree of self-sufficiency in these commodities. Domestic prices and trade policy, moreover, have to be consistent with the targeted self-sufficiency levels.

By opening up agricultural trade India can be a major exporter of a number of agricultural products: Even though US is a major rice exporter and even though rice market is very thin, it was argued by some participants that India can export two million tonnes of rice initially, and can, over time, become a major exporter as the US withdraws from rice trade.

It was, however, generally agreed that there is a large scope for exports of fruits, vegetables, processed foods and cotton. India may even have a comparative advantage in sugar. According to some participants India does not have a comparative advantage in oilseeds production and the recent success in expanding oilseeds production has been brought about with considerable protection.

It was recognised that for reasons of containing domestic prices ceilings on some exports may be needed. While liberalising exports the fact that small country assumption may not always hold for a number of commodities should be accounted for and, if needed, export quotas may be imposed. If there is indeed a need for a ceiling on exports, it should be set once generously and not raised in small steps. Otherwise, people should be free to export. Liberalisation of agricultural imports is likely to lead to a fall in the price of sugar and edible oils while liberalisation of exports might raise the price of cotton. Imports may therefore, for domestic price reasons, be canalised.

Domestic prices should be stabilised at the market clearing levels for the modal or average weather year levels through buffer stocks and trade: Fluctuations in weather result in fluctuations in output and possibly in prices. While government price support operations are welcome by farmers in years of good rainfall, they are averse to government intervention in the market in years of poor harvest. Similarly, consumers welcome government operations that keep down prices but object to government actions that keep prices from falling in good years.

A large number of the poor are net purchasers of foodgrains. They also spend a large part of their income on food items (which have a weight of 57 per cent in consumer price index). They would be adversely affected if food prices increase more rapidly than their incomes.

That transient food insecurity is of some consequence can be seen from the year to year variability in the estimates of rural poverty in India. The poverty line in India is defined mainly with respect to the ability to buy 'adequate' food and so poverty estimates are expected to correspond closely to estimates of incidence of hunger.

food insecurity, government should try to ensure stable food prices through operations of a buffer stock or through international trade and/or provide subsidised food to the poor, the amount of which can be varied depending on the need.

It was suggested that a buffer stock of 11 million tonnes of foodgrains (excluding the stock needed to operate the PDS) may be adequate to stabilise prices.

Reliance on foreign trade is essentially equivalent to maintaining a buffer stock of foreign exchange. One may note that reliance on foreign trade does not imply free trade. This is a separate issue.

The level at which prices should be stabilised should correspond to the price at which demand will equal production for a modal or average rainfall year. One can also think of selecting a price level that corresponds to some average of world market prices.

Poor targeting makes PDS an expensive way to protect the poor; an employment guarantee scheme would be more cost-effective: Most of the supplies of the PDS go to urban areas and more so to the middle income classes. Therefore, it is debatable as to whether this system should continue in its present form in spite of its poor targeting, e g, one might ask: why should sugar be supplied under PDS when it is being bought more by richer consumers? It was pointed out that even in a state like Maharashtra, in rural areas, less than 20 per cent of the population makes all its cereals purchases from the PDS. The implicit value of the subsidy on cereals provided through this system is less than Rs 2.5 per person per 30 days. An extra person day of employment per family would provide the income support at a much lower cost. However, since removing PDS is politically infeasible, better ways of targeting have to be found such as exclusion of people with certain attributes (e g, income tax payees, owners of vehicles, etc).

One should also consider ways to cut the costs of operating the PDS. It was suggested that the Food Corporation of India (FCI) operations may be dismantled and states be permitted to buy foodgrains from wherever they like. If consumers are to be subsidised then these subsidies should be financed out of the budget. About 40 per cent of agricultural workers in India are labourers whose wages have low indexation and whose incomes are seasonal. They need income support. Since the PDS is poorly targeted, an employment guarantee scheme (EGS) is a better way of providing protection to these people. Thus subsidies on the PDS may be gradually reduced as the employment schemes are expanded.

Deregulation and liberalisation would provide enough incentives to farmers: It was argued that farmers do not need or want subsidised inputs, if they are given the freedom to sell anywhere in the coun-

ing the disprotection of agriculture. All restrictions on movements of agricultural commodities should be abolished. (This was subsequently announced in the budget of 1993-94.) Restrictions on traders' inventories should also be removed. (Markets should be permitted to determine prices of commodities such as cotton for which India has a comparative advantage.) Deregulation of all kinds is needed to promote diversification. This includes licensing for processing plants, restrictions on locations such as on sugar mills, price control on agricultural inputs such as molasses, and decentralisation of dairy industry. The government should not have a procurement price but a support price can be fixed at some fraction of market equilibrium price in year of normal supply. If taxing farmers is the objective then progressive land revenue is better than procurement at a low price.

Input subsidy removal will also encourage efficient use of resources: Input subsidies have to be greatly reduced as their continuation is fiscally unsustainable. If subsidies have to be removed on inputs then the output prices will have to be freed. Though power subsidy (flat rate, etc) was appropriate in the early stages of agricultural development, it should certainly be removed now for both efficiency and ecological reasons. Canal water and electricity for irrigation are not generally charged on the basis of quantity of water or energy used. As a result they become 'fixed costs' and farmers have no incentive to economise on their use. They should be charged on the basis of quantity used.

Non-price factors are important for agricultural growth: It is often argued that non-price factors are more effective than price factors in terms of increasing output or realising a better income distribution. We cannot expect the centre alone to provide all the infrastructural and other investments needed for agricultural growth. These will be much more effective if implemented at the local level.

Among these are provision of credit, creation of infrastructural facilities and institutions, research and extension and human resources development. Investment in agriculture, including private investment, has stagnated. A major reason for this is the breakdown of agricultural credit system. The loan 'melas' and give aways of the mid-1980s have severely reduced loan repayment and consequently the availability of funds for agricultural credit. Also with the low interest charged, agricultural credit is not viable. Thus to increase agricultural credit, it is not enough to strengthen credit institutions. Unless strategic constraints facing such institutions are removed, the strengthening would be pointless.

Some of these problems are discussed in greater detail in the following section.

II

Agricultural Credit and Investment

Out of the total credit supply to agriculture, 37 per cent is provided by co-operatives, 57 per cent by commercial banks and the rest by regional rural banks. The agricultural credit policy adopted by the government has to some extent increased agricultural investment and fertiliser use and also reduced the farmers' indebtedness to moneylenders. The rural community's dependence on private moneylenders went down from 88 per cent in 1951 to 36 per cent in 1991. However, the costs of India's credit policy have been enormous for the central and state governments as well as for financial institutions.

The problems faced by the rural credit system can be listed as follows:

(1) There has been an erosion of credit discipline due to large-scale defaults, loan waivers, etc, and it is difficult to bring this back in a short period.
(2) Political tampering affects bank autonomy.
(3) Institutional constraints lead to high transaction costs. Due to the complicated operational procedures, borrowers incur high costs in obtaining formal credit and often resort to private moneylenders.
(4) Concessional or below-market interest rates imply credit rationing which results in high transaction costs for applicants. Targeting of credit subsidy is also poor. Since (due to corruption) getting a loan involves a bribe, the effective interest rate is high. This is a case where non-price rationing is far inferior to price rationing. Credit availability is more important than the interest subsidy on loans. It is, therefore, better to cut down the interest subsidy but not the volume of credit—contrary to the recommendations of the Narasimham Committee. Reduction in the volume of credit would adversely affect private agricultural investment.
(5) Banks have been forced to assume the role of welfare agencies which has discouraged adherence to sound banking principles.
(6) Since they receive concessionary refinance from National Bank for Agricultural and Rural Development (NABARD), the regional rural banks and the agricultural credit co-operatives have no incentive to mobilise savings. In addition clients have little confidence in these institutions and would not like to deposit their savings with them.

Thus reforms should focus on:
(1) Restoring credit discipline among the rural financial institutions by rigorously implementing the policy of denying new loans to defaulters.
(2) Allowing them to charge market determined interest rates. That is, give them freedom to charge their own interest rates (for viability) instead of uniform rates.
(3) Rationalising welfare and credit. For example, in times of disaster, instruments such as crop insurance programme should be used rather than relying on loan forgiveness.
(4) Encouraging financial institutions to mobilise rural savings so that they can rely more on locally generated resources.

III

Institutions, Research, Technology and HRD

Among other agricultural institutions, the importance of research and extension institutions were emphasised in the seminar. The role of government in generation of new technologies and their transfer to farmers is well recognised. The research and extension system in India is facing a number of challenges:

(1) The yields of major cereals seem to have reached plateaus and have been stagnating. Particularly, development of high yield varieties for high rainfall areas where water application is not controlled, has not seen breakthroughs.
(2) Research in farming systems needs a much greater emphasis.
(3)The growing concern for environmental sustainability would require development of different technologies.
(4) Development of private research has not been adequate. While private seed companies have been active their focus has been limited to some high value crops.
(5) Agricultural extension systems need to expand their training and visit activities, which have been found to be effective in technology transfer and adoption.

Considerable discussion focused on the performance of Indian agricultural research system. How does one measure performance? How does it compare with other countries? How does one improve its performance? What is the role of private research? Discussion also encompassed (strayed into?) the general issue of the role of research in society.

In evaluating the performance of an agricultural research system, one should distinguish between evaluation of performance of scientists/ researchers and that of management. The number of publications, citations and patents obtained provide a generally accepted, though not without reservation and controversy, yardstick for judging the performance of researchers. For judging the performance of managers of the research and extension systems, however, increases in total factor productivity growth is the ultimate measure.

Evaluations based on total factor productivity have shown that agricultural research in India in the 1970s was productive. It also showed that investment in agricultural research in India was productive. Comparable studies for the 1980s are not available.

Counting of articles may be a poor indicator of the development part of R and D. China with far fewer publications has shown much better growth in yields.

While judging the Indian agricultural research system in the 1980s, one needs to account for a few things. First of all, in agriculture, research is required to stay in the same place. So research in 1980s may have been directed to not sliding back. Secondly, wastage in research and research effort is unavoidable. Thirdly, agricultural research is part of the Indian system and the wastage in it cannot be looked in isolation from the wastage in public systems in general.

Even then, it was felt that the agricultural research system in India needs much improvement. It is seen to be a talent repulsive system. It has become stale. Many of the experimental plots of research stations are no longer representative of the land outside. The various all-India coordinated trials distribute money and resources too thinly. And above all, it lacks client orientation, farmer involvement or commercial motives.

A number of suggestions were advanced to improve the performance of agricultural R and D.
(1) Install a system of macro-assessment of the system's performance at different levels in the system.
(2) Introduce client participation. Farmers should also be asked to bear a part of the cost of R and D.
(3) Research agenda should set priorities from the development point of view.
(4) Not just the top management, but also research scientists should be involved in R and D planning. It may be useful to ask the scientists themselves to do a cost-benefit analysis of their proposed research.
(5) Move away from the emphasis on rice and wheat research. Much scope exists for R and D in fruits, vegetables and other crops.
(6) Location specificity of agricultural technology requires research centres in different agro-climatic zones.
(7) An action plan for extension should be a part of any research plan.
(8) Human resource development should give adequate attention to extension and delivery.
(9) Incentives should be improved for individuals who deliver results.

While research has qualities of a public good and public research must play a leading role, private research can complement it effectively, particularly in the final development and extension phase. Commercial incentives of private research institutions should be exploited. Such research has played significant roles in other countries, for example, in developing fruits and vegetable exports in Chile and Turkey and India could learn from such experiences.

Bangladesh's Flood Action Plan: A Critique

Peter Custers

Bangladesh's flood action plan of 1990 is a good example of the unrealistic and expensive schemes that agencies like the World Bank have pushed on third world countries without a realistic appraisal of experiences within the country.

IN 1987 and 1988 Bangladesh faced excessive annual floods which drew broad international attention after the floodwaters reached foreign embassies in Dhaka's Gulshan area. Bangladesh's large donors then, after many years' neglect, got alarmed to the devastations caused by the yearly floods, and sent out teams competing to find the proper, permanent 'solution' to prevent future flood damages. Thus, the French government under Mitterrand appointed a team of engineers, and others—Japan, the UNDP and the USAID—engaged their own expatriate experts to devise elaborate flood prevention/flood control schemes. The World Bank was ultimately asked to co-ordinate the various efforts. Under its auspices, an international conference was held in December 1989, and subsequently the World Bank drafted what has come to be known as the 'Flood Action Plan' or FAP (dated May 1990).

It is important to review the FAP, because, if executed, it will have far-reaching consequences for Bangladesh's economy and environment. The FAP consists of some 26 studies and pilot schemes, of which 11 are considered main components and the remaining 15 'supportive' in kind. Implementation of these projects does not seem to have gotten very far yet, with conflicts of interests appearing within the Bangladesh bureaucracy in the very first, preparatory phase, and with various delays in the finalisation of the projects' so-called 'Terms of References' (TERs) by foreign, 'expert' teams. (See Shapan Adnan's *Floods, People and the Environment*, Dhaka, July 1991.) Ultimately, however, the plan aims at the construction of tall embankments along both sides of Bangladesh's three main rivers, the Ganges, Brahmaputra and Meghna, and the costs of such construction would be huge: initial estimates put the figure at 5 to 10 billion US dollars which would make the FAP the "very biggest development project in Bangladesh history" (see 'Birth of a Megaproject: Political Economy of Flood Control in Bangladesh' by James Boyce in *Environmental Management*, Vol 14, No 4).

Now, since there is a tendency to erect a smoke-screen in order to counter the rising criticism of the FAP, it is necessary to emphasise that the construction of tall embankments is indeed the ultimate essence of the plan. This is evident both from the order of priorities within the Flood Action Plan, as drafted in 1990, as also from the 11 'guiding principles' which the Ershad regime drew up in preparation for the FAP; the principles included "safe conveyance of the large cross border flows to the Bay of Bengal" by construction of "embankments on both sides" of the major rivers. It was further re-confirmed at a seminar held at Delft University, the Netherlands, in September 1991, where the Dutch representative on the FAP, Van Ellen, insisted: "the belief that effective protection against flooding in Bangladesh is possible only by constructing a system of embankments along all the major rivers" is the very "basis of the Flood Action Plan". Van Ellen leaves no doubt about the fact that the variety of measures proposed in the FAP should lead to "the confinement of all major rivers of the country between embankments on both sides."

Flow of Criticism

A number of articles appeared criticising the plan immediately after its publication which underlines the fact that the opposition against the Flood Action Plan is not the aberration of a Leftwing intellectual alone, but is in fact shared by a broad spectrum of Bangladeshi and western economists and environmental experts, as also a major section of the international aid establishment.

The American economist James Boyce in an article entitled 'Birth of a Megaproject: Political Economy of Flood Control in Bangladesh' on *Environmental Management* has lashed out in particular at the French-proposed scheme of tall embankments availing internal, World Bank sources to back up his profound critique. An article by Laurent Zecchini in the French daily *Le Monde*, in the wake of the April cyclone, mentions that more and more experts question the wisdom of building/rehabilitating 3,350 to 4,000 km of embankment-structures of the planned size of 4.5 to 7.4 m high. The article refers to French megalomania, expressed in Attali's comment that "Our Century has a Need to Build Cathedrales, otherwise the world will perish of boredom". The case submission regarding the FAP to the 'International Water Tribunal', drafted by the San Francisco based International Rivers Network (April 1991) lists eight major objections against the Flood Action Plan, four of which could be termed 'environmental' ones; the document concludes "Rather than providing the protection from catastrophic flooding that the project is designed for, construction of high embankments would actually increase the risk of devastating flooding". Then, there is the extensive review, in book form, by the Bangladeshi economist, Shapan Adnan, entitled *Floods, People and the Environment*, a study financed by NORAD. Adnan, amongst others, questions the scientific validity of the World Bank's approach. The article 'The Rivers That Won't be Tamed' by the environmental journalist Fred Pearce (*The New Scientist*, April 13, 1991) extensively quotes from the USAID-sponsored 'Eastern Waters Study' which castigates plans to channel the rivers between high embankments as "engineering hubris likely to lead to massive waste of scarce resources"; according to this study, "embankments do not reduce flood water, but merely move it",—i e, to areas closer to the sea where people are already most exposed to the risks of catastrophes. Last, but not least, mention should be made of the 'Report of the Task Force on Action Plan for Flood Control', drafted by a Commission set up under the interim government of president Shahabuddin Ahmed (February 26, 1991). The report criticises the fact that the Flood Action Plan has not been exposed to public debate, and insists that "the need of public debate is still valid"; it recommends a moratorium on all construction activities until the results of studies regarding the plan's socio-economic and environmental impact be available.

Amongst the various objections against the proposal to construct tall embankments, the first one relates to the very nature of Bangladesh's river system. First, these rivers belong to the very largest ones in the world, the width of each of them being almost unparalleled: the Ganges at some points is 5 km in width, the Brahmaputra 10 to 15 km, and the lower Meghna as much as 15 to 20 km. With these rivers all converging in a relatively small area, anybody interested in 'taming' them is forced to realise that they form an 'integrated circuit' which can hardly be compared to rivers which have been tamed elsewhere in the world. On these grounds the idea that the control of the Bangladeshi rivers can be modelled on that of the American Mississippi (as was done in

the 'Master Plan' prepared by the International Engineering Company in 1964 has been challenged: "It is an act of grave error to either underestimate or overlook the absolute difference between the processes of training a single river and the problems of subduing a system of rivers" such as Bangladesh' ('In Search of Flood Mitigation in Bangladesh' by Aminur Rahman in *Flood in Bangladesh*, Community Development Library, Dhaka, April 1989).

Secondly, the Bangladeshi river system is rather young and the rivers are still in the process of fashioning the delta. Thus, the Brahmaputra as recently as in the late 18th century followed a course towards the sea that was located well to the east of its present course. When the Teesta, a smaller river in the country's north, suddenly changed its course in the year 1787, and joined the Brahmaputra, the latter was forced to seek a new channel: the Jamuna became the river's main course towards the Bay of Bengal. This shift, however, brought the Brahmaputra into conflict with the Ganges which enters Bangladeshi territory from the west. At one point, the Brahmaputra "threatened, almost, to shut up the Ganges". And although a head-on confrontation between the two powerful rivers could be avoided at the time, "the battle between the Brahmaputra and the Ganges could not, reasonably, be supposed to have yet been fought to a decisive finish."[1] In any case, the process of formation of the delta by the great rivers is an ongoing one.

The World Bank's 'experts' have devised elaborate schemes for flood prevention and flood control, without first questioning whether at all the basic human knowledge about the deltaic rivers has been sufficiently developed. The judgment of the interim government's Task Force is crystal clear: "Although in the Krug Mission report (1957), the emphasis was given on basic researches on our rivers, it is painful to note that the research work in the relevant fields has altogether been neglected. The formulation of the flood plan should benefit from result of researches rather than being based on presupposition."

When the discussions about the proper method of flood control in the then East Pakistan started in the 1950s, there was no unanimity of view amongst experts as to what would be the proper approach. As the Krug Mission Report noted in 1957, "Opinions are divided on the merits of flood embankments. . ." (see Aminur Rahman's article quoted earlier). Nevertheless, in accordance with the proposals contained in the 'Master Plan', prepared by the International Engineering Company (1964), a governmental body was formed, baptised the 'WAPDA', whose chief task became the construction and maintenance of dykes. WAPDA is not very popular among peasants in the Bengali countryside, because the construction of embankments has frequently borne negative consequences—at times even the very opposite effect of control of annual flooding.

Publications by economists and by organisations belonging to the Bangladeshi peasant movement indicate that the construction of dykes has variously led to artificial flooding. First, given the enormous quantity of silt being carried by the major rivers—the total amount is an estimated 2.4 billion ton per year—, embankments often have only a temporarily mitigating effect. Silt that can no longer be deposited in the vast floodplains is accumulated on the river beds, unless large-scale (and costly!) dredging operations are carried out. In the course of time flood levels in the rivers rise, leading to renewed overtopping of the embankments—with potentially more disastrous effects than was the case previous to the construction of embankments. Moreover, embankments have a 'replacement affect', as was justly stated in the Eastern Waters Study: "Embankments do not reduce floodwater, but merely move it; excess water that is confined in the stream bed higher on the river will increase the volume and velocity, and perhaps the depth, of the flow that has to be managed in the districts closer to the sea" (quoted by Fred Pearce in 'The Rivers That Won't be Tamed', *The New Scientist*, April 13, 1991).

In designing the 'Flood Action Plan' the problem of artificial flooding was simply ignored by the World Bank. The American economist James Boyce quotes from an internal audit regarding a World Bank-financed floodcontrol project which points at the "extraordinary absence of formal evaluations of floodcontrol investments in Bangladesh after 26 years of experience". The unit which itself is not responsible for execution of World Bank schemes, recognises there is a "continuing pressure for large-scale capital-intensive 'solutions' to the flood control problem when all available evidence indicates that such schemes have not been cost-effective in the past and are unlikely to be in the future". One may cite the instance of the right bank of the Brahmaputra, stretches of which have been 'protected' with an embankment to stop floodwaters from spilling across north-western Bangladesh. The Brahmaputra river has as Pearce puts it, "taken little notice of this impediment".

Environmental Concerns

A third, and perhaps decisive objection against the World Bank's proposed scheme relates to the environment. Here, we need to take account of the potential disruption of the fertilisation process which is yearly promoted by the river floods, i e, the deposition of silt and the algae growth. But besides we need to look at the major consequences for fisheries. The independent American investigator, Steve Minkin, has justly pointed out that "perhaps more than people in any country, Bangladesh citizens depend on natural wild fisheries resources for their food and livelihood". Approximately 80 per cent of animal protein in the Bangladeshi diet comes from fish. Moreover, for many poor peasant families, fish capture is a crucial, secondary source of income.

Furthermore, the floodplains are a relatively important source of fresh water fish captures. Steve Minkin's data bring it all out in clear terms: whereas roughly a quarter of the yearly fish capture is gathered in the open sea, the remaining three-fourth hails from inland fresh water resources. Here, floodplains are as important as rivers, taking up as much as 50 per cent of the inland fresh water captures. Such data in fact form a major indictment of the World Bank's proposed scheme for flood prevention. For in case embankments of 4 to 7 m high would be constructed, such would constitute a direct assault on the existence of millions of landless families who as said are dependent for their survival on fisheries and who even without being deprived of income from fish captures are regularly facing the threat of starvation death.

The World Bank's Flood Action Plan, of course, proposes to investigate the environmental implications of new embankment and compartmentalisation schemes. Yet the purpose is not, it seems, to assess whether the given schemes should be implemented. Rather, the 'environmental study' will focus on how to limit environmental damages!

Bangladeshi scholars have noted that the traditional diversity of Bangladesh's aquaculture resources has already been drastically reduced by embankments, and that past projects have "left scores of fishing villages in decay". Similar kinds of observations have been made by the Dutch environmental expert Van Vierssen who covered the theme of 'Ecology and the Bangladesh Disaster' for the Delft seminar. He has stressed that "many young fish feed in the very productive floodplains during their earliest life stage", and insists that flood control, draining and irrigation schemes (FCDI) tend to inhibit the "migration, breeding and feeding of fish". Not just embankments aimed at flood prevention, but even so-called 'submergible embankments' tend to have negative consequences, since they disturb the timing of spawning. Clearly, without a careful assessment of both the benefits and the drawbacks of annual floods, and of all the negative, environmental effects

of past flood control schemes, it would be foolhardy to initiate any major new, 'structural' schemes

Certain western European governments have consciously refused to participate in the World Bank's scheme (the Norwegian and the Belgian governments in particular) The Dutch however have thrown their weight behind the plan As a letter by the Dutch minister for development co operation to the Dutch parliament (June 13, 1991) proudly states, the Netherlands contributes to the FAP both by supplying 'expertise', and by co financing, along with Germany, the 20th component of the Flood Action Plan, entitled 'Compartmentalisation Project' Even if the concept underlying this project is not flood prevention, but controlled flooding, it is no exaggeration to state, as the minister does, that FAP 20 which purports to create polders along the left and right banks of the Brahmaputra river constitutes a cornerstone of the plan, as it helps to ideologically justify the whole A significant amount of 10 million Dutch guilders (roughly one tenth of the total amount for 'aid' to Bangladesh in the 1990-1991 annual budget) has been allocated for this 'pilot project'

Though various aspects of the 'compartmentalisation' scheme remain to be clarified, Bangladeshi sources have already raised major objections against 'controlled flooding' in general, and against FAP 20 in particular One is the fact that earlier schemes for controlled flooding have led to 'manmade ecological disasters' as is true for instance for 'Beel Dhakatia', a polder scheme in Khulna/Jessore in the western part of Bangladesh, designed by foreign 'experts' in the 1960s As reported in the NORAD-financed study 'Floods, People and the Environment, the natural vegetation in this original 'beel'-area has suffered and the growth of fisheries has been retarded as a consequence of the non-functioning of the polder's sluice gates and of the discharge-canal Thus, for the last eight years, the area has suffered from serious waterlogging Finally, a Beel Dhakatia Action Committee was formed last year and in September massive numbers of people decided to breach the polder's embankments Clearly, landless and land-poor peasants have experienced this controlled-flooding scheme as disastrous to themselves and the natural environment

Secondly, it is far from clear in what respect the FAP-20 Compartmentalisation 'pilot' project differs from earlier experiments in controlled flooding in Bangladesh In fact, the non-governmental organisation 'Bhuapur Development Project' which is active in the area along the Brahmaputra where the 'pilot' scheme is to be executed claims that FAP-20 is a total waste of resources, since the project estimated to cost 17 million US dollars is a 'duplication' of the 1968 Dhaka Narayanganj-Demra (DND) Irrigation project "The aim of the DND at the time was to become the field model and case study for other future projects for this country The results of this project are clear-cut and the examples seem more than adequate for the concepts of compartmentalisation The effects can also be studied over the last 20 30 years, at a fraction of the cost of the Compartmentalisation Pilot Project Why is it important to spend another 20 million dollars on projects that can promise little more than the exact same results? Not only that, but why do the same experiment on each bank of the Jamuna?"[1]

Thirdly, more than questionable is the claim put forward by van Ellen at the Delft Seminar in defence of FAP 20 that "it is an effort in building up and consolidating people's participation, during the phase of planning and building, and also thereafter, during the operation of the introduced water management systems" However, people representing the Bhuapur Development Project, which NGO is active in the char villages of the Jamuna river state that "there is no recognition of substantial habitation of the calar areas" in the World Bank's plans, that these inhabitants are in danger of being washed away in case of execution of the FAP, and that they have not been informed about the compartmentalisation scheme—let alone consulted[2]

Lastly, there is every reason to take seriously the warning levelled by the 'Task Force' instituted to review the Flood Action Plan during the period of the interim government after the fall of the military regime In its report, the Task Force specifically refers to FAP 20 Here it points to the "inherent weaknesses" of polder projects aimed at controlled flooding, "even after building of numerous control structures" silting up of inlets and outlets, waterlogging, changes in the dynamic water regime, etc. The Task Force explicitly questioned the idea of 'mitigating' the 'adverse effects' of major embankments through added projects for 'controlled flooding'

The Dutch expert connected to the Flood Action Plan, van Ellen, claims that the plan "represents a realistic and balanced approach to a long term solution to the flood problem in Bangladesh" I have reviewed some of the major objections against the FAP it presumes we understand the Bangladesh river system, whereas in fact the state of human knowledge about this highly complex river system is very limited up to date The World Bank's expensive scheme is neither based on a careful review of the history of discussions regarding flood control in Bangladesh, nor on a realistic assessment of the experiences gathered with the construction of embankments along the Brahmaputra and other rivers Most objectionably, the FAP's implementation will have disastrous consequences for the environment, in particular if van Ellens' dream of flood prevention becomes a reality such will have tremendously damaging effects for Bangladesh's agriculture and fisheries

Second, a sound management of water resources is key to the achievement of welfare for Bangladesh's population, and to initiate a process of flood mitigation a whole series of 'non structural' measures may be considered, such as flood warning, flood insurance the use of flood resistant rice varieties, the planting of natural grasses, canes and trees, and perhaps, 'submergible embankments' However, as *Le Monde Diplomatique* has correctly pointed out, for the majority of Bangladeshi peasants the annual floods are not the main headache Instead, their primary source of anxiety is the economic exploitation by landlords and merchants they are subjected to low market prices for their produce, sharecropping, usurious interest rates and the vastly unequal distribution of land property Any flood mitigation programme must, therefore, necessarily be based upon the execution of thoroughgoing agrarian reforms

Lastly, it may be noted that even van Ellen has raised the problem of the FAP's "sustainability" According to his calculation, the Bangladeshi national budget would be burdened with additional costs for maintenance amounting to 0 9 billion US dollars These costs even if spread over two decades, would present the peasantry with an added tax burden, another disastrous prospect in a country where many millions are daily threatened with famine and starvation In terms of both social justice and sheer effectiveness it makes much more sense to spend a fraction of the sum required for the execution of the Flood Action Plan on support to grass roots organisations of peasant women and men, i e, to organisations which have made the task of implementing thoroughgoing agrarian reforms their number one political priority If organisations sympathising with the rights of landless peasants make a realistic assessment, Bangladesh need not for ever be prey to 'natural' disasters

Notes

1 'Report of the Task Force on Action Plan for Flood Control submitted to the Planning Advisor of the interim government of Bangladesh on February 26, 1991

2 'Inhabitants of the Jamuna River Char and Their Relationship to Current Flood Planning' report submitted to the International Water Tribunal by Robert Counseller and Mujibul Huq Dulu December 1990

Combining Moral Commitment with Pragmatism

Ashok Mitra Commission on Education

Amrik Singh

Three things stand out about the report of the Education Commission appointed by the West Bengal government under the chairmanship of Ashok Mitra. First, except for professional education, the entire educational scene is surveyed and hardly anything worthwhile has been ignored or left out. Second, the report is not only an analysis of the problems, it is also "a feasible programme of educational goals and objectives for the short run as well as the longer time frame". Finally, while it is informed by a certain measure of moral commitment, what the report has to say is utterly free of dogma; it is nothing if not pragmatic.

I

WHEN in August 1991, the West Bengal government decided to have the educational scene surveyed, it was a positive step forward. Not many states take initiatives of this kind. It was equally gratifying that Ashok Mitra was asked to head this commission. Apart from being an academic of repute, he has also had quite some administrative experience as finance minister of that state. The report submitted in August 1992 amply justifies the confidence reposed in him.

Three things stand out in respect of this report. One, apart from professional education, the whole educational scene is surveyed. That is to say, not only are different levels of education (primary, secondary and university) surveyed, the report deals with the related issues of universal literacy, vocational education, autonomy and allied themes. Distance education, supply of textbooks, the role of the public media, the centre-state ties, the constraint of resources and a whole host of related issues are also analysed and discussed. In plain words, hardly anything worthwhile has been ignored or left out.

Secondly, the report is not only an analysis of the problems, it is also "a feasible programme of educational goals and objectives for the short run as well as the longer time frame". Thirdly, what the report has to say is utterly free of dogma or any kind of ideological compulsions. Most people who are familiar with the thinking and writings of Ashok Mitra would have expected some such mode of approach. On the contrary, his feet are firmly planted on the ground. Whatever he has to say is not only pragmatic, it is also informed by a certain measure of moral commitment which only some one with his background and outlook alone could have had. To say anything more on his subject should not be necessary.

Though the commission consisted of nine person, it appears that the main load was taken by Ashok Mitra himself. His personal stamp is to be seen throughout the report and it would not be too much to presume that, unlike most such reports, he has likely enough written a great deal of it himself.

The terms of reference as given to the commission need to be referred to; a good deal of the strength of the report flows from the tasks assigned to it and identified at the initial stage. The first task was to review developments since 1977 when the CPM government took over; this was to be done with specific reference to the trends of budgetary outlays and *inter se* allocations. The commission was also asked to review the existing system of evaluation and to appraise the relevance of existing rules and procedures. The framework of cost effectiveness was to be invariably taken into account. Apart from reviewing the kind and quality of the manner in which financial allocations were translated into actual physical achievements, the issues of motivation and incentives were also to be gone into. In plain words, the terms of reference were not only precise but were also oriented towards definite objectives.

In view of the heavy agenda of work, it was too much to expect that the task could be completed in six months. It must be said to the credit of the commission that all that it asked for was an additional six months. It has now turned in a report which is not only a model by itself, but is perhaps the best document of its kind produced in recent decades. What is more, it can also be adapted by other states to suit their requirements.

There is nothing pompous or high-falutin or doctrinaire about the recommendations. Each one of them is pragmatic and is related to the evolving situation. In its own words, right at the beginning, it is stated, "The priorities the commission may decide to suggest for the proximate future will have to be in conformity with the aims so as to disturb, if not demolish altogether, the 'pecking order' of the existing social and economic arrangements".

II

Quite logically, the report begins with an overall review of work as initially projected in the election manifesto of the Left Front. The text is quoted right in the beginning. The subsequent pages delineate fairly clearly that, to quite an extent, the manifesto was implemented. For example, the proportion of the state budget allocated to education in 1976-77 was 12.89 per cent By 1992, it had risen to 21.89 per cent. Though satisfactory otherwise, it is pointed out that, in terms of proportions, the allocation on primary education is short of what is allocated to secondary education. This is concretised by quoting the relevant figures. At the primary level, the shortfall was of Rs 84 crore in the non-Plan account. In terms of percentage, it was 40 per cent short of what ought to have been done. On secondary education, an additional sum of Rs 1.03 crore (more than the national norms) was spent.

What makes the situation less than satisfactory is that in the case of both primary and secondary education, as much as 95 per cent of the total outlay goes to pay the emoluments as against 80 per cent in respect of higher education. When it comes to the growth of student numbers, during these years the numbers went up by 81 per cent at the primary level, 17 per cent at the secondary level, 373 per cent at the higher secondary level and 60 per cent in respect of enrolment in colleges. Each one of the comparisons made puts the spotlight on the lags which still require to be made up. For instance, West Bengal was the fifth most literate state in 1981 and remained so even in 1991.

But perhaps the most serious lag is that free midday meals could not be ensured for all children. Nor a free school dress for each girl attending a primary school. This has a good deal to do with the lack of resources confronting the state. In one of the tables, for instance, it is stated that the per capita actual expenditure at the primary level is the highest in Kerala (82 7 per cent), the next highest in Gujarat and Maharashtra at 61.24 and 58.06 per cent respectively. In the case of West Bengal, it is only 34.4 per cent and this is not particularly different from what UP spends, i e, 33.6 per cent.

Clearly, the administrative and financial structure of the state is in need of a drastic revamp; it is claiming a larger proportion of the budget than is good for the state. Unless that is done and, secondly, unless the income of the state grows as a whole, it would be difficult for West Bengal, despite a relatively more committed government than elsewhere, to find more funding for primary education.

A good deal else is said about some of the other issues; for instance about the lack of training in respect of three-fifths of the teachers and so on. Particular attention is invited to the absence of any scope or arrangement for the teaching of crafts "relevant to an essentially agrarian society".

To move from primary education to universal literacy is again logical. Here the commission is highly critical of the state government. Instead of taking initiative on its own, the state has leaned upon the financial support advanced by the union government and acted like a "demure camp-follower of the centre". Without mincing words, the commission observes that "the outlay called for is of an insignificant order in the context of the results achieved and achievable; millions are being rendered literate and prospects are being opened up of a consequential vast upsurge in productivity and production".

In addition, the commission goes on to make certain other specific recommendations. Perhaps the most important of them is the emphasis on post-literacy programme. What is suggested later by way of development of literacy is described here as an essential part of the programmes. Even if the state government has to bear the cost of supply of one newspaper for each reading centre, it would not come to more than Rs 2.5 crore per year. This is something which the state exchequer can easily bear.

Two other important recommendations may also be referred to. One, in addition to literacy, numeracy too deserves to be emphasised. This skill is important in the modern world. In this respect, the foundations should be made solid right from the beginning. Secondly, if the spread of literacy becomes effective, as it ought to, it would surely mean further expansion in the number of primary schools. As the commission puts it, "Neo-literates, in the afterglow of their induction into the process of learning, are likely to be eager that their children avail of the educational opportunities that are there."

III

Perhaps the strongest chapter in the report deals with the problems of secondary and higher secondary education. Quite a number of people are concerned about the problems of universal literacy and wax eloquent on the subject. When it comes to higher education, since most people writing on this issue come from that background there is seldom a problem. Therefore, secondary education is generally neglected But not in this report.

While conceding that the quantitative expansion since 1977 was 'unavoidable', the shift in emphasis in favour of education is a blow for equalisation of opportunities. That being so, the problem of ensuring quality in state-aided schools has become crucial. They are the ones for which the state is directly responsible. The number of private schools or English medium school is not all that large. Unless the state-aided schools improve in quality, the problem will continue to be real.

One thing that a survey of secondary schools (which the Commission got done) brought out clearly was that while 20 per cent of students said that the syllabus was heavy and they needed private help by way of coaching, etc, about 60 per cent said that if they had to score well, they had no option except to take recourse to private coaching. This survey has thrown up a number of other interesting findings also.

For instance, 25.21 per cent students said that teachers did not attend schools regularly, 28.87 per cent said that even when they were present, they did not take classes. Another significant finding is that 7.6 per cent of teachers thought that the reform of the examination system was a crucial requirement. As to interference in academic affairs, 54.8 per cent of parents and guardians said that it was there; 12.69 per cent said that not only was it there, it was gradually increasing. It is a valuable survey and those concerned with education in other states could organise something similar along these lines.

One question that always remains undecided in regard to secondary education is whether it is a terminal point in itself or a stage leading to higher education or both. After a good deal of discussion, the commission has re-endorsed the Kothari commission's concept of three simultaneous options for students—self employment, vocational training or pursuit of further general education. Which alternative is to be followed depends partly upon the students and partly upon the state of the economy.

A question gone into in some depth is the link between secondary and higher secondary education and the role of vocationalisation at this stage. Though the Bhabatosh Datta Committee had recommended the location of these classes in what used to be known as intermediate colleges, this commission is of the view that, given the circumstances, the most feasible arrangement would be to locate these classes in schools, more so when it has been advocated, strongly that there should be a major shift in the outlay on secondary education in favour of institutions located in the rural sector

In regard to the periodic review of curriculum, not only has the commission discussed this issue in a meaningful manner, it has also (in an appendix) suggested a draft outline of the improved curriculum in respect of natural and life sciences. Any 'stiffening' of the curriculum at this stage would have to be properly phased out. That is why the commission has suggested that pass marks for an individual subject as well as the group pass marks should be raised, but only step by step.

There are important recommendations in regard to inspection of schools, infrastructural facilities, *Madrasah* education, the study of Sanskrit/Arabic at the school stage and several other crucial issues.

Closely related to this chapter is another one on technical and vocational education. While at the higher secondary level, not even 1 per cent of the students opt for a vocational course, less than 5 per cent of those who apply in the ITIs and less than 10 per cent in polytechnics get selected. When this is seen in the context of close to a million children dropping out each year from the school system in West Bengal, what has been happening is truly appalling. There is going to be no marked increase in the facilities in the near future; therefore, a large number of them would have to enter the informal sector of the economy where there are hardly any facilities for training.

As an immediate measure, what the commission has suggested is a ten-fold expansion of technical and vocational education; anything short of that would be totally inadequate. It is also suggested that industry, banks and financial institutions be involved closely in the expansion that is contemplated. Along with the chapter on secondary education, this chapter is not only detailed and factual, it has an air of authority about what is proposed.

IV

No other recommendation of this commission has aroused more controversy than the issue of the teaching of English at the school stage. It was in the early 80s that the state government discontinued the teaching of English in primary schools and suggested that it be undertaken from Class VI onwards. Those who were in favour of the *status quo* refused to accept the argument that West Bengal was about the very last state to conform to the pattern that was laid down by the Kothari commission. Tamil Nadu is the only other major state where English starts before Class V.

This issue is discussed in considerable detail partly also for the reason that in the final analysis two members of the commission dissented from the majority recommendation. In the course of this discussion, the commission has reviewed what the Kothari Commission had to say, the functional-communicative teaching approach adopted with the help of the British Council, the problems encountered at the ground level and so on. As a compromise, the commission has recommended the teaching of English in government and government-aided schools from Class V, proposed a different system of teaching and, above all, emphasised the retraining of something like 20,000 teachers in the craft of teaching English.

Apart from quoting the example of Bangladesh which has switched over to Bangla in a substantive way in the fields of administration and court work, the commission has made a forceful plea for doing that in West Bengal too. Whether everybody agrees with this recommendation or not, on the whole the commission has done an admirable job by staying close to the ground and at the same time trying to evolve a consensus.

This however is not the only recommendation made by the commission in this report. Most people in West Bengal, particularly left parties other than the CPM party in the government, have discussed the report as if this was the only recommendation made. Nothing could be more perverse or more self-defeating. There are crucial problems at the school level which require to be solved on an urgent basis. The commission has given considerable thought to each one of them. Apart from pleading for greater expansion, more particularly in the rural areas, strengthening and diversifying secondary education, the commission's view is that a ten-fold increase in respect of technical education is called for. This is something that ought to have received much more attention than has happened so far. None however is so blind as the one who refuses to see!

V

In a sense the commission is on home ground when it deals with the college and university sector. Most members came from this background. In the second chapter itself the commission had described college teaching as "perhaps the greatest contemporary social tragedy". As the commission puts it, students prefer "to elongate the phase of supposed education because of the grim prospects awaiting them in the labour market".

This being the real context, the commission goes on to note that the number of colleges established since 1978 is 51. Out of them, 49 teach pass courses only, either in Arts or Commerce or in both. The commission recognises the fact that the "removal of the pass course is impracticable in the short run". In other words, the number of factors working in its favour are too many and too overwhelming. However the commission is in favour of what is called 'awareness courses' like public health, literacy, environmental studies, etc. While the introduction of the semester system is desirable from several points of view, it does not seem to be all that feasible. In its opinion, there is no alternative except to improve the performance of college teaching within the parameters laid down. And this brings us to the role of the teachers.

The most immediate problem is what the commission described as "the withering academic days is the academic system". It is a national problem no doubt. At the same time, it concerns education much more directly and centrally than otherwise. What the commission has asked for is that the "universities prescribe explicitly the minimum number of teaching days/class days as distinguished from normal working days". It also suggests a "drastic reduction in vacations and holidays" as also a number of other steps which have a direct bearing upon the issue.

This in turn leads to the question of social and academic accountability. The commission is most emphatically of the view that three types of assessment have to be introduced: one, what is known as self-assessment, preferably twice a year, two, assessment by the college principal in the form of an annual report and, three, student assessment of teachers. The promotion of teachers should depend upon the sum total of these three forms of assessment.

It should come as no surprise to any one that this particular proposal has been criticised by teachers' union and several others, as has a somewhat different proposal at the secondary level—raising the pass marks in different subjects as also the aggregate marks in the final count. That proposal too has met with resistance. Over the years, a kind of syndrome has got built up whereby any insistence upon regular work or good performance—anything which demands hard work—is regarded as a form of academic oppression. These reactions are a testimony to that cast of mind.

Amongst the other issues dealt with are the menace of private tuitions, the need for training and re-training, the administrative ambience in which the colleges function, the need for "service conduct rules for all kinds of teachers, including college teachers", the revamping of college governing bodies where the teachers themselves "should not constitute a majority in its constitution", transfer of teachers from one institution to another and several such issues. In regard to each one of them, the approach adopted is forthright and in pursuit of excellence. In the commission's own words "It is by no means against the spirit of democracy to nurture and sustain centres of academic excellence."

As in the case of secondary students, a survey of college students and teachers was also undertaken. Though not as revealing, some of its findings are significant. For instance, 53.57 per cent students said that all teachers took classes regularly but 44.29 per cent said some teachers take classes regularly. How can both statements be correct at the same time? Regarding help extended to students by teachers outside classes, 47.49 per cent said that they do so readily and often, but 4.6 per cent used the expression "sometimes". However, 8.09 per cent of them said that they never do so because "teachers are not present in the college after class hours".

When it comes to university and post-graduate education, the commission presents what it calls an idealised picture of what a university ought to be. While doing so, the commission cannot overlook the fact that enrolment in a university is looked upon as a form of 'distinguished unemployment'. The majority of students go along with the deception since "the alternatives offered to them are, they judge, much worse". The next comment is more devastating.

> The country's authorities too have done their cost-benefit analysis, if a genre of social turbulence can be kept confined for an extra number of years within the four walls of a so-called university, a considerable saving of resources would take place at the other end; the creation of employment is (a)relatively a great deal more capital intensive.

Talking in this vein, the commission goes on to describe the working of the university of Calcutta and its 'gargantuan

operation' as also its 'lugubrious' working. No wonder quite a number of more talented students migrate abroad and settle down there. Considering the difficulties of any kind of change, the universities have no choice except to do two things; one is to improve the quality of teaching and research to some extent and the second is to learn to live with the financial constraints which appear to be inescapable.

Any other set of people would have tried to drag their feet but not a commission headed by Ashok Mitra. Without mincing words, the commission says that there is no choice except to relieve universities of the burden of undergraduate examinations. A State Level Council for Undergraduate Education will have to be set up for that purpose and the commission goes into details of how to make that body functional. While emphasising excellence, the commission also observes in passing that tenure in an academic position should be given "only at the end of five years of continuous employment".

As things stand, none of these recommendations can endear the recommendations of this commission to the teaching community in West Bengal or, for that matter, in the rest of the country. For a couple of decades, things have been getting coarser and coarser in every sense of the word. Funds have been relatively easy to get and there was a mood of expectancy and optimism. But funds are now getting tight and the universities in that state, and also those in other states, are faced with a real financial crunch. If in this whole cycle of financial squeeze, the teachers are asked to work harder and perform better, resistance to such an approach is more or less inevitable. Operating in a soft society as we do, many of these things are not so likely to get done in the near future. What the commission has shown is the direction in which we ought to be moving.

Disgusted with the working of the universities, the commission has even gone to the extent of suggesting that engineering and medical institutions should be detached from the universities and given an autonomous status. While it would certainly do good to these institutions, the universities are likely to deteriorate further unless, of course, the responsibility of undergraduate education is taken away from them.

VI

University autonomy is one of the buzz words current in political discourse in our country. As public life has become more and more coarse and political interference has increased, naturally people have felt concerned about the growing encroachment of university space both by politicians and bureaucrats.

Most of this opposition has come from the academics and some part of it from other sources, notably the press. Quite a few outrageous things have been done in different states. The centre has been relatively free from this pestilence though it cannot be said that it is altogether blameless. One favourable factor has been the existence of professional bodies like the UGC. Central institutions have therefore by and large remained safe from political encroachment of interference in academic matters.

The interesting thing here is that the attack on university autonomy and the rise of trade unionism amongst teachers have been two parallel but concurrent phenomena. Beginning somewhat tentatively, trade unionism amongst college and university teachers became a powerful movement in the 70s. Hardly any state conceded the 1973 scales of pay without an agitation. In almost each state, the teachers got their due only after they had gone on strike and done several other things which need not have been done. In consequence, the teachers became strongly unionised.

In this background, a curious phenomenon began to develop. Most trade unions of teachers posed the issue in such a way that the plea for autonomy became some kind of a shield to protect their sectional interests. Nobody spoke out when there was underperformance or even a certain degree of delinquency. Those weaknesses were glossed over. But if there was any misbehaviour by a politician or someone in authority, it was strongly resisted. It was in this context that the West Bengal Commission was appointed.

In its discussion of autonomy and allied issues, the commission has stayed close to the ground, held firm to the gains made during recent decades and, at the same time, not condoned under performance or non-performance. Were the teachers' movement to also adopt the same line of approach, it would do an immense amount of good both to the teachers' movement and the academic ethos of the country.

The commission has noted that the state government's budget in West Bengal has expanded nearly eight times since 1977. It has also noted that salaries of teachers are being paid directly from the state treasury, the selection of teachers is regulated through a College Service Commission specifically appointed for the purpose and, in various other ways, there has been democratisation as well as some devolution of functioning.

At the same time it has been brought out forcefully that the objective of excellence is not to be equated with any attempt to encourage privilege. To quote its own words, "The demand for excellence must not be used as surrogate for a kind of snobbery such as is exemplified by the 'navodaya' scheme." Nor is the commission in favour of permitting the country's educational process to degenerate into "a two-class culture with the special privilege on one side of the fence and those denied the privilege on the other". In other words there has to be "a framework of priorities in the education sphere".

The commission is very emphatic on the need for toning up the administration and academic functioning of schools and colleges. It is equally critical of frequent holidays and vacations and, as already stated, favours a minimum of 220 working days. If this is to be ensured, the length of both the summer vacation and autumn recess would have to be cut down. Similarly taking one day off in the week is opposed and college teachers are asked to exercise restraint in this matter. This would incidentally, according to the commission, discourage the growing menace of private tuitions.

After having surveyed the whole scene the commission more or less concludes as under:

> The government despite offering the funds must keep its distance. It is however implicit here that academic discipline has to be scrupulously maintained at all levels. In a democratic milieu, teachers as well as senior students as also non-teaching employees have the right to organise themselves and campaign for improvements in the conditions of their work and employment, as the case may be. An educational institution is not a factory establishment, agitations must not be at the cost of instruction time.

This statement strikes the right balance, if one may add.

VII

The Ashok Mitra Commission is alive to all those factors that impinge upon the working of educational institutions. Regular payment of salaries, etc, is one ingredient of good functioning but others are no less important. In several chapters dealing with the selection and training of teachers, examination reform, distance education, libraries, supply of textbooks, English medium institutions, cram shops and help books, the commission deals with a whole range of problems that usually get overlooked. In each one of its recommendations, the commission never loses sight of what is actually happening and what factors, positive as well as negative, predispose things in a certain direction.

If the educational sector is to expand, as is unavoidable, how teachers are regarded

is a crucial question. In view of the "generally satisfactory remunerations" now received by the primary school teachers, the commission is inclined to suggest that the minimum qualifications for a new entrant should be a graduate degree. This cannot be done overnight; however, the objective should be kept in mind.

When it comes to training, the commission is in favour of treating the district as a unit. The number of people involved per district is likely to be in the neighbourhood of 8,000. That being so, any unit other than a district would create problems. What is more, the commission suggests that it should be obligatory for a teacher to undergo a refresher course of a month's duration at the end of every five years. Since quite a number of them engage in other jobs, this should be explicitly forbidden and rules framed accordingly.

If the experience of the College Service Commission is any guide, something similar would have to be done at the lower level. Here again, the unit would have to be the district. Even the number of teachers to be recruited in secondary schools per district is likely to be more than a thousand per year. Such an arrangement would also take care of the problem of employment exchanges sending up names which have been on the register for a long time. Even if they are not suitable, they come up for consideration in preference to others who may be more suitable. There have been certain problems in the working of the College Service Commission. Those are referred to and a caution is given against those being repeated in the new proposed set-up.

This issue of the training of teachers is gone into with a wealth of details. It is said that the most alarming deficiency in this regard is that the existing arrangements for teacher training are "almost irremediably dated". Further, "If anything, that turns our teachers into *status quo*ists". Similarly, a good deal is said about the Diploma in English Language Teaching where too things need to be drastically streamlined.

Talking of the evaluation system, the first thing that the commission says is that the "accuracy of evaluation, there is no question, depends largely on the sincerity of teachers". In the sample survey of colleges sponsored by the commission, it has been pinpointed that 'erratic marking' is the most important deficiency in the present evaluation system. Connected with it is the pattern of paper setting. In order to change the pattern, however the pattern of teaching too would have to change.

In the case of the Secondary School Board, the commission suggests the establishment of a large number of zonal offices so that most decisions can be taken at the local level rather than at the central level; the latter should concern itself mainly with paper setting and the scheduling of the examination time-table, etc. When the system is extended to the university scene, the same approach can be adopted. But till such time as an undergraduate council can be established, the details cannot be gone into. The issue is discussed in further detail and a number of improvements are suggested, but no conclusive recommendation is made because, unless a decision in regard to such a council can be arrived at, everything would remain fluid.

Distance education is one of the growing areas and the commission supports it. But the commission does not go far enough so as to suggest the establishment of an open university in the state. Instead, it is in favour of making greater use of the over 100 'study centres' established by the IGNOU in that state. One wishes that the commission had been less tentative and more forthright in this regard. This is for the reason that it is mainly in eastern India that distance education is lagging behind. In northern and southern India, a large number of students are enrolled in this stream of education, and with profit.

Perhaps a much more valuable contribution has been made by the commission in regard to the importance attached to the organisation of libraries. The Kothari Commission had said that school children should be integrated in the system of public libraries. Such a system has not yet got going anywhere in our country except perhaps in Kerala. Some progress has certainly been made in West Bengal but not to the extent as to become a regular fixture in the social and educational scene. According to the commission, the focus should be on the establishment of a central library at the block level which may give support to school libraries as well as to reading rooms intended for neo-literates.

Similarly, the commission has projected the idea that the physical facilities available for school and college libraries should be gradually improved. Going further, it says that each school or college should have a trained librarian with the same scale of pay and allowances as are available to teachers. Perhaps this is for first time that any commission has advocated the appointment of a trained and full time librarian even in a school library.

The supply of textbooks to children and related problems are gone into in a detailed manner. In a tentative sort of way, the idea of the state textbook corporation has also been mooted more or less on the Maharashtra model. Unfortunately, since the report was submitted, the Maharashtra model has been found guilty of corrupt practices and it would be quite a problem to devise a suitable structure to attain it. It is recognised that the public sector mentality is a factor to be reckoned with. At the same time, something has to be done to improve the system of the availability of textbooks. In any case it may not be a bad idea, as suggested, to get such a body registered under the Societies Registration Act as also the Public Trust Act.

The spread of what the commission calls "a business cult institution with an eye on unconscionable profit-making" is also taken note of. This is said with reference to the widespread phenomenon of private tuitions. In regard to the former, it is said that "the commission, lest it be misunderstood, would like to reiterate that as long as instruction through the medium of English does not offend against our cultural identity and does not interfere with the state government's general programmes of introducing the mother tongue as the principal medium of instruction at primary and secondary levels, one need not pick up a quarrel with it".

As to the latter, the commission feels that the most helpful way of controlling the menace of private tuitions would be, one, to ensure that teachers perform better in the classroom and, secondly, "effective social mobilisation". There is also a role for legislation. It should be specifically laid down in the terms and conditions of service of teachers that private tuitions would not be permitted.

In order to improve the functioning of educational institutions, the commission affirms that "Strict enforcement of attendance on the part of teachers and monitoring the nature of contents of teaching in institutions at all levels" is essential. The example of the Indian Statistical Institute is quoted where every member of the academic staff, including the director, records the time of his arrival and departure. There is nothing infra dig about such a proposal and it needs to be implemented.

Once academic standards in the aided institutions improve, the state government would have the bulk of the community rallying behind it. It would then be in a position to go down heavily on educational profiteers and academic delinquents.

VIII

It is a measure of the clear-sightedness of the commission's thinking that a chapter is devoted to the role of the public media. The reason is simple. The media has penetrated social life to such an extent that, as the commission puts it, the whole society has been shaken to its roots and the educational sources can hardly be "iso-

lated from the influences set in motion".

One major consequence of this development is the shrinking opportunities for an understanding of "the structure of language or the mysteries of grammar". Widespread popularity of 'comics' has affected the faculty of concentration of the young people. Above all, "the hinterland of the child's mind is thus in danger of being laid to waste. It is no longer even a *tabula rasa;* it is already either full of junk or responsive only to trivialities".

Privatisation of the media is, even in the best of circumstances, a partial answer to the problem. The media has to be used for educational objectives. But how precisely this has to be done is something that has divided people in almost every country. It is a challenge to Indian thinkers and policy-makers to devise a new strategy in this regard.

How can this be done unless the constitutional problem is sorted out? At the moment, it is the centre which has the prerogative to use the air. If it chooses to permit the states to have their own channels, that would be an act of favour. This issue has therefore to be sorted out before any state can even think of moving in the matter. Is it not ironical that even a country with barely 1,00,000 people, being a member of the United Nations, has the prerogative to control its own media but in India, even a state with more than a hundred million people, does not have the same right?

Issues in regard to the education of the handicapped children, those belonging to the scheduled castes and tribes, women's education, hostel facilities, the near-chaotic state in respect of the distribution of certificates to students who pass out and so on, salary and pension payments, retirement benefits of teachers, administrative set up, role of the judicial system and a host of other problems are taken up for an intensive and understanding discussion. Each one of the schemes is handled with understanding and sureness of touch which is not to be found in most of the made-to-order committees and commissions appointed to investigate the problems of education.

IX

In keeping with this general criticism of the centre appropriating more and more powers for itself, the commission is equally critical of what the centre has been doing. The Constitution as adopted in 1949 was to a large extent a replica and elaboration of the Government of India Act of 1935 but this bias against the states received a further fillip in 1974 in the 42nd Amendment whereby education was made a concurrent subject. The commission is opposed to this overcentralisation and berates the centre for not having been able to perform better despite all the powers at its disposal. Whether it is the language policy or the *navodaya* schools, it is the same story of confusion of objectives and downright non-performance.

There is an attempt to force things down the throat of the states. According to the commission, this is no way of building national integration. More specifically, the commission observes that a "state has the right, at least up to the undergraduate stage, to decide on the curriculum, the medium of instruction and the methodology of teaching in the area falling within the administrative jurisdiction of the state Not to respect this convention would be to activate forces which work not for national unification but for national disintegration".

In this connection, the commission draws attention to the way Bangladesh was sought to be lorded over by the rest of Pakistan and the subsequent separation of the two. Similarly, the experience of the Soviet Union in not treating the non-Russian nationals properly is also brought in.

In dealing with the issue of constraint of resources, the commission does not pull its punches. Apart from criticising the centre for spending excessively on defence and internal security and indulging in various other extravagances, the commission is realistic enough to acknowledge that even while asking for greater release of funds, the states would have to make do with whatever is available. Funds at the state level are scarce and the coat would have to be cut according to the cloth available. In this connection the commission makes certain recommendations, with particular reference to West Bengal.

The first one is to levy an educational cess both in urban and non-urban areas. It is estimated that something like Rs 100 crore can be raised from this source. Secondly, while it is not possible to raise fees all along the line, some marginal increase can be brought about. The commission recommends Rs 50 per month at the undergraduate level and Rs 75 at the postgraduate level. Considering that it is currently around Rs 15, the proposal does mark an advance over the existing situation. When it comes to engineering and medical courses, the tuition fee recommended is Rs 250 per month. All this is expected to bring an additional Rs 20 crore per year.

It is curious that more attention has not been bestowed on this problem. Unless some kind of a differential fee system is adopted, the disadvantaged students would always be obliged to pay more than they can afford and the affluent ones would not be asked to pay as much as they are capable of paying. Furthermore, postgraduate education and, to some extent, professional education in almost all cases, should be more or less self-sufficient. Research would certainly have to be supported but not necessarily instruction at that level.

If the instructional part is to be made self-sufficient, the fees would have to be higher. Since everybody would not be able to pay higher fees, a system of grants and loans is unavoidable. This issue is not even gone into. Was it fatigue towards the end of the report or was it some other compulsion? Or was it recognition of the fact that this is all that can be done in the circumstances? Whatever it be, this particular section of the report gives the impression of not having grappled with the problem closely or constructively enough and is, perhaps, the weakest in the report.

Grants and loans inevitably raise the question of the general climate of not returning the loans. The existing situation is downright unsatisfactory. But surely one cannot live with the existing system indefinitely. One of these days, it would have to be changed. To change it in other spheres of activity is beset with problems. Problems would be there even in the case of education but then the number of claimants involved would be so large that a certain amount of intelligent planning and some degree of patience and persistence can help to evolve a system whereby, for the most part, loans are repaid. Such a system can be enabled to perform. There is a great deal more to say on the subject but it should not be necessary to do so at this stage.

X

The report concludes with a chapter on goals and responsibilities and begins as follows:

> It is almost axiomatic that the social milieu exercises a major influence on the educational environment. But the obverse of the statement is equally true; educational reforms are indisputably key instrument for effecting changes in society. It is thus a two-way relationship.

The commission then goes on to discuss issues like education and integrity. As things have evolved during the last few years, this has become virtually the central problem in education. Let the commission speak for itself:

> If to cut corners is the increasing practice among the leaders of society, students and teachers cannot don the mantle of heroic deviants. The education process can scarcely be reduced to a phenomenon subject to the surveillance of the forces of law and order. Only social pressure can stop undesirable

and unethical practices with injurious consequences for the education system. Neither legislation nor horatory urgings on the part of the government would be of much help here.

Some people might regard such a view as a form of defeatism but the commission believes that this is an acknowledgement of the realities of contemporary existence Having said this, it is affirmed, that maintaining the integrity of the education system is an obligation of each and all No one can say or pretend that he is not concerned. In other words, the entire community has to be involved. That there are class forces at work is not in question and, yet, every one gets affected by the moral deterioration in the educational field and so regardless of class divisions and interests an attempt has to be made to maintain a certain minimum level of integrity. It needs to be added here that:

> Even political reforms hinge upon reforms in the educational structure. If through some stratagem, a climate of morality were to be re-established in the sphere of education, it could trigger a chain of consequences which are most unlikely to leave the rest of the society unaffected.

No one working in education can or should adopt the position that since things are rotten elsewhere, they cannot but be rotten in education also. How is this objective to be achieved? Two contributory factors are brought out. One is the emphasis on merit. As the commission puts it,

> Merit must receive its just reward. It would be idle to pretend that lapses have not occurred, especially concerning this matter, during these one-and-a-half decades. The pursuit of quantitative achievement has sometimes been at the cost of quality. There has been also much avoidable waste and misdirection of energy as well as of resources.

This point is further elaborated by insisting that "recruitment of teachers at all levels...be fair, and exclusively determined by considerations of merit". "The concept of fairplay must also permeate the mode of appointment in all its aspects." The second leg of this argument is best given in the commission's own words:

> The government will have to be scrupulous and, at the same time, ruthless, in enforcing rules and procedures so as to safeguard fairplay. If the authorities themselves set and demonstrate standards of excellence and probity, that would contribute immeasurably towards strengthening the campaign against deviation from ethics on the part of sections of teachers and students, as well as, for instance, governing bodies of private and aided institutions.

Towards the end, two important points are reiterated. One is addressed to the government. Over the next five years, the proportion of overall financial education for emoluments should be brought down to 75 per cent in the case of school education and 55 per cent in the case of higher education so that the rest of the outlay could contribute directly towards improving basic facilities. In terms of the total outlay, much more is being spent on salaries than is conducive for the right kind of education. This proportion must be set right.

The second point made by the commission is that while a good deal will depend upon developments in the Indian polity and national growth, "the principal, if not the only educational objective" during the next five years must be a campaign in favour of total literacy.

Unless that objective can be achieved, the right kind of growth would never take place The commission concludes by saying, "At least for West Bengal, the educational priorities are thus unambiguously defined. The community has to be mobilised in defence of these priorities. That should be the agenda for the remainder of the century."

Two comments might be made in regard to the foregoing. This report is perhaps the first authoritative document which recognises that a key problem in the running of educational institutions is to rid them of corruption that has penetrated them. Not many people recognise this to be perhaps the most urgent problem, but Ashok Mitra's commission does so and it is to be applauded not only for its moral sensitivity but also for having the right order of priorities.

Secondly, more than anything else, it is the role and productivity of teachers at all levels which has been put under the spotlight. It is only when teachers begin to perform better that productivity would increase and quality willl become a feasible objective. If there is any dereliction of duty on the part of teachers, says the commission, the "status and supporting rules could also, we have suggested, provide for disciplinary [illegible] from imposition of penalty, erring teachers should be exposed and widest publicity be given to the details of their violation of the code of conduct."

That this report has not been very well received by teachers does not have to be specified. Over the years, they have got so accustomed to an atmosphere of laxity and permissiveness that hardly any one stops to question them either in regard to what they are doing or not doing. Most often, union pressures are used only in one exclusive direction; to oppose victimisation which all these years has been a marked feature of the educational scene, and has not disappeared altogether. But what about the victimisation of students, and the society as a whole? Hardly anybody views the issue in this manner. For reasons which are not difficult to understand therefore, the performance of educational institutions has been declining. This commission has unhesitatingly put its finger on one of the key spots and made out a strong case for ensuring accountability.

The general tendency is to blame the government for everything and for the authorities to "heap the blame for imperfections and blemishes in the framework of education, either on the disinterested community at large or at the colonial heritage". This is wrong. In this connection, a telling comment is made, "each section of society has to be persuaded to take a look at the mirror and ask what its contribution could be to improve the milieu"

[Once a report has been submitted, it is no longer a private document. Why should it be difficult to obtain its copies then? It took the author a couple of letters and two telephone calls to procure a copy. It is for the West Bengal government to ensure that whoever wants a copy should be able to get it. Why must an enlightening document be kept under the wraps?]

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Imperial Nostalgia

Vinay Lal

The Raj: India and the British 1600-1947, general editor C A Bayly; National Portrait Gallery Publications, London, 1990; (Illustrated), pp 432, $ 60.

FOR nearly five months, between October 1990 and March 1991, the National Portrait Gallery in London was the site of an enormous exhibition on the raj. Indeed, the largest exhibition ever staged at this gallery, 'The Raj: India and the British 1600-1947', was accompanied by an equally large and rather unwieldy catalogue bearing the same title. The task of general editor was, not surprisingly, entrusted to C A Bayly, who some years ago acquired a reputation as a historian of late colonial India, and has in recent years ventured not merely into the earlier history of British rule in India, but into the larger realm of British imperial history in general. Bayly's monographs on modern Indian history sought to introduce subtle but nonetheless transparent variations on the crudely wrought theme of Indian nationalism as 'animal politics' for which he and his colleagues at Cambridge (now scattered in numerous places) became known. Although *The Raj* incorporates the contributions of numerous scholars, and in particular arresting essays by Rajnarayan Chandvarkar, John Falconer, and Christopher Pinney, it is largely the work of Bayly, and of a piece with those works which carry the imprint of his name.

Bayly's volume is divided into four sections: each section is prefaced by one or more essays, followed in turn by dozens of exhibits. The references are, in many cases, quite invaluable, and every student of Indian history, whether a novice or an accomplished scholar, will find some tidbit or the other that amuses or instructs. *The Raj* has several hundred illustrations, many in resplendent colour. In short, no effort appears to have been spared to make the volume as attractive as possible, and this is what makes it all the more insidious. As the text does not leap from the pages, it is all the more easily used to reinforce a certain way of writing modern Indian history that should have been buried long ago.

The foreword by John Hayes, director of the National Portrait Gallery, sets the tone for the entire volume. "East is east and west is west", asserts Hayes, and for good measure adds that "this familiar adage has a distinct measure of truth to it" [p 9]. He points out that the exhibition explores a 'noble theme', which he identifies as "the long relationship between the peoples of one of the great ancient civilisations of the east, largely Hindu but part Muslim, and the representatives of a vigorous western trading nation" which developed "one of the most remarkable administrations—efficient and evangelising—since the heyday of the Roman Empire". What makes this relationship 'noble', and for whom was a relationship that was wholly inegalitarian, built on invidious not to mention oppressive race distinctions, 'noble'? Is it 'noble' because there is, as the whiff of longing for the raj amply demonstrates, an air of 'romance' about this 'relationship', the romance of buccaneers, swashbuckling heroes, pigsticking sportsmen, and empire-builders? As if the essentialism between the 'east and the west' were not enough, the 'ancient civilisation' of India is at once grounded in religion, 'largely Hindu but part Muslim', religion being the very essence of India in orientalist and indological discourse. The 'trading nation', England, was indeed 'vigorous' in the pursuit of empire, and rather modern in its techniques of governance, but the resonance 'vigorous' acquires here comes from the contrast with an 'ancient' civilisation that, to make the implication explicit, was construed as 'effeminate' Having characterised this rule as an 'administration', thereby endowing it with the sanctity of a governmental apparatus that seeks only to 'improve' the life of a dejected people suffering from the weariness of inertia, Hayes leaves it to the historians to show how 'remarkable' was the British epoch of Indian history.

Bayly's own 'Preface' is scarcely more satisfying: 'resistance' and 'co-operation' emerge [p 11], as they have in many other histories, as the twin themes of British dominion in India, although we have to ask what kind of 'co-operation' and 'resistance'. The history of modern India used to be written as the history of 'collaboration': the only kind of 'resistance' that was acknowledged was the 'resistance' of 'elites', and as this was shown to be yet another form of 'collaboration', 'resistance' was made into an impotent idea. After the interventions of recent years, embodied principally (though by no means exclusively) in the writings of the 'Subaltern' historians, 'resistance' has become less easier to ignore. Indians appear now as 'subjects', endowed with, if we may put it this way, a self-fashioning 'agency' Bayly's 'noble' contribution here is to affirm the place of 'agency', so that Indians, instead of simply being acted upon, become willing partakers in their own oppression. "What no one now disputes", writes Bayly, "is the extent to which the nature of British dominion was shaped by Indians as much as by British people, and as much by their co operation as by their resistance" [p 11]. One would imagine from this that 'co-operation', or what is otherwise, and more frequently, called 'collaboration' had never previously been the leitmotif of historiography on colonial India!

The catalogue, as Bayly goes on to point out, tells a story, a story that he attempts to capture in this pronouncement: "The East India Company suppressed open warfare, unified the subcontinent and introduced a new legal sysem" [p 11] Since no one doubts that the suppression of 'open warfare' is a good thing, and since the other accomplishments stand in opposition to it, one must suppose that the unification of the subcontinent and the introduction of a 'new legal system' were likewise commendable achievements. These claims are not really subjected to analysis, merely rehearsed and reiterated, so that again we read [p 130]: "The open warfare of the 18th century was suppressed and new courts of justice were established". P J Marshall, however, in his essay in this volume on the British presence in India until the death of Tipu Sultan in 1799, admits that "it now seems difficult to portray 18th century India in general as a land plagued by disorders so serious that they brought about a marked deterioration in economic conditions and thus compelled Europeans to intervene in order to maintain their trade" [p 20]. It is Marshall's argument that Bayly must reject, if British rule is not to appear as, to use his own word, altogether 'superficial'. If the 'conquerors' did not achieve much more than the suppression of 'open warfare', and the establishment of 'new courts of justice', it is because they were "dependent on Indian clerks and subordinate officials, and beholden to Indian landholders or peasant leaders" [p 130], whose sole ambition appears to have been to thwart the British from bringing to glorious fruition their numerous designs for the moral, social, economic, and political 'improvement' of the Indian people. The 'defective tools' that the British worked with in India were, on Bayly's account, largely Indians themselves [p 130]. Likewise, the 'cultural arrogance' of the Mughals is said to have contributed to the 'long-term failure of the [Mughal] empire' [p 47], but there is not the slightest recognition that the cultural and moral arrogance of the British, which was certainly not any less than that of the Mughals, played its part in the demise of the raj.

British imperialism in India emerges, in Bayly's narrative, as a reluctant imperialism We return, in *The Raj*, to the earliest

formulations of the 'Cambridge school', as adumbrated in the writings of John Gallagher and Ronald Robinson. The "politics of Indian states were the prime cause for the expansion of the British empire" in the 1750s and 1760s [pp 91-92], and the "true reasons for British expansion", says Bayly of the last quarter of the 18th century, "lay once again in the subcontinent itself" [p 152]. We are to believe that had not their access to trade routes been threatened, and had not Indian rulers sought British intervention to resolve disputes amongst themselves, the British would never have thought of acquiring an empire. However, once, willy-nilly, this empire came into their grasp, they found they could do a whole lot of good. The cries of starved children, the wail of the widow, and numerous bloodcurdling practices of religious 'fanatics' pointed to the need to eradicate such problems as famine, sati, hook-swinging, and 'communalism'. British artists tried to capture the 'exotic' element in Indian customs, as for instance in Johann Zoffany's large painting of the 'Sacrifice of an Hindoo Widow upon the Funeral Pile of Her Husband', but more exotic still is the representation of these 'subjects' in Bayly's volume. Thus, on pages 222-223 of *The Raj*, we have images, all jumbled together in a jolly good show, of an ascetic smoking a hookah, another sannyasi looking rather gruesome, an idealised sati, and spectators observing hook-swinging. These pages are not exceptional, but merely more indicative of the conception that governs the entire volume, which aims to introduce us to the breathless panorama of Indian life under British rule.

By means of legislation the British could perhaps hope to deal with sati, but what of famine? Bayly admits that the policies of the East India Company contributed to the famine of 1769-70 'indirectly', but what is meant by this is unclear, for revenue demands were not lowered during the famine [pp 105, 113]. He notes that the extensive canal systems did not greatly reduce the impact of famines in the early 19th century, but apparently by the early 20th century famine had abated, with "the exception of the terrible man-made Bengal famine of 1943" [pp 198, 200]. Just how 'exceptional' this famine was can be gauged by the terrible statistic that jumps out from the annals of history: three million dead. The famine was indeed 'man-made', but far from going into the question the responsibility of British administrators for this catastrophe, Bayly merely adduces 'poor transport' as the cause of the famine [p 338]. That such a famine could take place, after over a hundred years of supposed experience with management of famines, presents a terrible indictment of British administration, but no occurrence of this sort can be allowed to rupture the picture of the 'noble relationship' that Bayly and the organisers of the exhibition were determined to present. Anyhow, what could the loss of three million lives truly mean in a country where people have since time immemorial died like flies? Lest this seem like an exaggerated rejoinder, it is useful to note how Bayly represents, again in the most fleeting fashion, the toll of life, and the exchange of populations, in the wake of the partition of India. "Estimates of those killed", writes Bayly, "range from 2,00,000 to half a million and at least 10 million refugees fled", but previously we had been told that "over a million people were killed and tens of millions driven from their homes as new national boundaries were fixed" [pp 415, 413]. From 2,00,000 to half a million, and from a million to tens of millions: these leaps appear to make no difference. Western scholarship on India has rarely been held to those standards that we have come to expect in the study of European history.

As must now be obvious, *The Raj* is a saccharine history of India. Almost nothing is allowed to disturb the placid waters of the well of orthodox wisdom. The few unpleasantries in this account of a 350-year old relationship have less of a bearing upon British relations with Indians than they do upon how Indians interacted with each other. "Many of the fiercest conflicts of the 18th century", writes Bayly, "were between Indian and Indian rather than between Indians and Europeans" [p 88], and this argument is extended for the 19th and 20th centuries as well, as Bayly's allusions to 'communalism' amply demonstrate. Although 'communalism' is a hotly contested subject, Bayly has no qualms in etching it unproblematically into the history of India. It is not quite *kosher*, especially for a historian with Bayly's formidable reputation, to bluntly characterise Indians as essentially communal-minded, but he cannot quite hide his predilection for this kind of argument. The strategy adopted is to affirm that 'communalism' had a pre-history in India before the consolidation of British rule, and then to put this history in doubt, so that he can then also appear as a disinterested and 'objective' historian. Thus, on page 226, we are told that the celebration of religious festivals in the early nineteenth century often led to religious altercations, but on the following page *Urs* ceremonies are said to provide an "object lesson in the close interpenetration of the themes and practices of popular Hinduism and Islam in India in the 19th century". "Most of India's people lived in peace, if not always in harmony", and at least in the early period of Mughal sovereignty, "it is difficult to separate specifically Hindu and Muslim traditions". But no sooner is this admitted than Bayly goes on to a discussion of how Aurangzeb, by alienating "leading Hindus with his more rigid and Islamic court", created the conditions for the dissolution of the Mughal empire [pp 49-50]. How, if 'Hindu' and 'Muslim' patterns of living were so closely enmeshed, could such supposed bigotry so easily find an operative space? What did 'Muslims' have to say about Aurangzeb's animosity towards 'Hindus'? What did it mean to be a 'Hindu' or a 'Muslim'?

The pertinent question, as Foucault has reminded us, is not only one of whether certain discourses are 'true' or 'false', but of the effects of such discourses. Aurangzeb may indeed have been an Islamic zealot, and perhaps there is a prehistory of 'communalism' in India to which we must admit, but what discourses are we to construct around these 'facts', and what shall be the place of these discourses in our histories? The 'Subaltern' historians have asked, for instance, what kind of place the discourse of 'communalism' occupies in the colonial sociology of knowledge, but it is precisely this question that Bayly's volume seeks to evade. There is a section on the 'British Understanding of India', but there is little sense here of the systematisation of knowledge under British rule, or of how the conquest of knowledge became an imperative of the state. Bayly appears to be less attuned to the politics of knowledge than the Englishman, quoted by John Falconer in his essay on "Photography in 19th century India", who in 1863 pronounced that "the calotype, the curious tripod...taught the natives of this country that their conquerors were the inventors of other instruments beside the formidable guns of their artillery, which, though as suspicious perhaps in appearance, attained their object with less noise and smoke" [p 264]. Christopher Pinney, in his essay on colonial anthropology, likewise shows a keen awareness of how science became the handmaiden to colonial administration. But in general 'political' readings are avoided by the contributors to Bayly's volume, and indeed someone like G H R Tillotson, in his essay on British landscape paintings of India, even passes strictures against 'political' readings, for the 'preferences' of British artists for the picturesque were, in his view, "inspired primarily by an aesthetic habit" [p 151]. There is, of course, a politics to the alleged lack of validity of 'political' readings.

The Raj belongs, in its own way, with that stream of works from the 17th century onwards which saw India as a land of exoticism. Fakirs and famine-struck bodies do not give a rounded picture of 'exotic India', and indeed what would 'exotic India' be without the bejewelled, effeminate, and obese princes whom the British first reviled and were later to cultivate as India's 'natural' aristocracy? These princes play more than their part in Bayly's volume: they inform the entire history, and not insignificantly the only full-page or otherwise large portraits of Indians in *The*

Raj are of princes. (The front cover itself reproduces a portrait of maharaja Dalip Singh in magnificent colour.) Countless times before the history of British India has been reduced to a history of few 'great men', and this rather impoverished approach dominates *The Raj*. Even in this respect, the selection is partial, for we hear a great deal more about Hastings, Clive, Tipu Sultan, Ranjit Singh, and other Indian princes than we do about the later Indian nationalists in the 20th century. The foreword by Haynes had promised that the exhibition (and catalogue) would endeavour "to see the British from the Indian point of view" [p 8]. Not only is this promise not kept, but the very opposite transpires: Indians are for the most part written out of history. *The Raj* is like the architectural photography in the 1860s of David Lyon, of whom Bayly says that "he stationed Indian employees *out of sight* but holding reflectors, in order to light the long corridors found in some southern Indian temples" [p 272; emphasis added]. That is all that Indians are really good for in Bayly's volume: for holding the lights which would illuminate the greatness of the raj.

Media Moloch: Blight of Doublespeak

Frederic F Clairmont

Beyond Hypocrisy: Decoding the News in an Age of Propaganda by Edward S Herman; South End Press, Boston; 116 Saint Botolph, Boston, MA 02115.

THIS informed essay is about the pervasive business of lying at both the official and corporate media levels. In short an incisive analysis of how tens of millions are bamboozled by the news television programmes they see, the newspapers they read, and the radio broadcasts they hear by an odiously unaccountable leviathan that is the corporate media. Its central theme is the US media, but third world readers and others will recognise that its analytical framework on the global corporate media oligopoly stretch beyond the confines of Clinton's USA. Its essential workings is seen in the propaganda-making and distribution engine, but more surreptitiously by the calculated distortion of words.

The first part deals with the decoding of news in an age of propaganda; the second, the first of its kind to the best of my knowledge, is a doublespeak dictionary for the 1990s of which the Regan/Bush cabal and its grovelling media had scaled the highest pitch of doublespeak, doubletalk and the doublecross.

Simplicity in modes of expression, lucidity in argument and American scholarship are invariably at daggers points. In the case of Edward Herman, of the Wharton School of Finance of the University of Pennsylvania, this is a felicitous exception. It is mandatory reading for those yearning to understand how their visual and printed news is slanted, concocted, corrupted and administered for sinister political ends. Its focus is doublespeak, the travesty of words by implicit redefinition and other pathological deformations of corporate verbal terrorism of the most brutalising species.

What Herman has in mind is no more clearly dramatised than in the daily misuse of certain buzz words and sonorous moral platitudes to which we are daily bombarded. Let us start off with the designation 'conservative' now currently applied to all shades of opinion opposed to Yeltsin and his G-7 handlers. Doublespeak bludgeons us into believing that he is the saviour of 'democracy', 'human rights', words noble in themselves, but which in their current corporate usage have been reduced to trivialised babblings.

At first sight it may appear that these verbal antics are comical, but their stratagems are more malevolent than such innocent word play may suggest. If Yeltsin's adversaries—not to speak of Lenin, Mao, Castro, and Ho Chi Minh—are branded 'conservatives' then in what barrel should we shovel a Reagan, a Bush, a Major and a Thatcher? Obviously, we perceive that reason has been unceremoniously shoved overboard. Another fatuous cliche of doublespeak, and one deployed in the same semantic breath, is that of 'market reforms'.

For these verbal embezzlers there is no need to probe the historical, social and class foundations of markets and market power. Adepts of doublespeak abhor objective analysis; their overriding stance is the ideological justification of their class status, and the dual forces of doublespeak and state terrorism that underpins it. A vintage illustration is highlighted by that buffoon of *The New York Times*, William Safire, when he pontificates that only the 'market' is the guarantor of your freedom, "base your changes on the inexorable workings of the law of supply and demand, make its freedom work for you". That unqualified morsel of doublespeak crap would be laughable were it not so tragic. It is engineered to drill into the reader's skull Goebbel's dictum that the big lie repeated a thousand times is transmuted into truth. The salient trait of doublespeak is the ability to lie, consciously or unconsciously, and to get away with it; it involves the grand scale technology of the superlie, and the masterly capacity to choose and select facts that meets the political imperatives of imperialism.

Doublespeak requires more complex tools of communications, in contrast to the older forms of imperialism that found no compulsion to dress their naked acts of genocide in the garb of 'human rights'. Here the exquisite candour of Lord Beaverbrook, the vaunted baron of Fleet Street's tabloid yellow press, is irrelevant, who once quipped: "I buy and own newspapers to make propaganda for the causes I champion." In Beaverbrook's stance it was superfluous to rationalise the genocide of British imperialism by calling it humanism. This is one of the marked qualitative changes between the old and new corporate media control. There is no imperative for such justification by the hustlers of doublespeak today as they have arrogated unto themselves the supreme moral virtues of what they still have the temerity to label the pluralism of democratic practice; but in reality is tantamount to the singularism of undemocratic repression.

Contrary to the egregious myth, suppression of dissent has always been a central fact of the dominant manistream US culture. There can be no niche for anything remotely construed as threatening the system. Effective deviance is circumscribed by the drive of money power and the dynamics of profit. In addition to a ubiquitously repressive climate that has marginal tolerance for deviance, a no less insuperable constraint on speech freedom is dissenters' lack of access to the mass media, and thus to the general public. Freedom of such legendary deviants as Herman, Noam Chomsky, Paul Sweezy, Harry Magdoff, Claude Cockburn—their names could be counted on ten fingers—is that their freedom is a personal one with miniscule social significance. Fleeting access to the media is one thing, permanent intrusion another.

Perot, the maverick billionaire, grasped the all-embracing tentacles of money-media power when he proclaimed with his ebullient clarity that he was able to fight the Bush/Clinton machine, and the whole traditional political caboodle "because I've got the money to do it", in itself a ghastly commentary on the diseased state of American politicking. And so he proceeded to bankroll his own campaign to the tune of over $ 80 million. "I've thrown my hat into the ring because I know, and the American people know, that the name of the game in politics is big money; its big money that gets you the juicy pickings; the

fatter the money the fatter the stakes."

This, indubitably, is one of the most profoundest utterances ever formulated on the roller-coaster carnival of American politics that insists on calling itself democratic; indeed what we are seeing is a swindler's slight of hand: doublespeak. Perot is neither deviant nor dissident. He is an acknowledged cog of the big corrupt machine. Such Tammany-honed pros as Clinton/Bush and their political touts knew that he was one of them. The verbal shadow-boxing was an integral part of the doublespeak showbiz.

In his grand collaborative work with Noam Chomsky, *Manufacturing Consent: The Political Economy of the Mass Media*, they had delineated to what measure media control and ownership was dominated by a tiny minority of media oligarchs of which Turner and Murdoch—both Americans—are prime celebrities. Corporate doublespeak is reinforced by the ideological propensities of corporate advertising, the big bonanza, now running in the US alone, at over $ 300 bn yearly. Revenues are not the only mainsprings of hyper-profits and survival for the corporate advertising phalanx. The corporate media has never dissimulated their natural points of anchorage with the White House, the Pentagon, the state deparment, the CIA and British intelligence that have never ceased to preen themselves as the supreme embodiment of their pathological versions of human rights.

The symbiosis between the organs of repression and the corporate media require no guidelines: they are implicitly understood by media functionaries. Rebels and other non-conformist journalists are excluded from normal news sourcing and processing so that freedom of speech is wholly compatible with barriers to views deemed menacing to the existing power complex, and the celebration of state terrorism.

The big time names in journalism that one encounters, for example, in *The New York Times*, *The Washington Post* and *The International Herald Tribune* (all of which are corporately inter-connected) have little room for manoeuvre. And indeed there is no reason why they should. Pulitzer prize-winners are not selected on the basis of literary merit and research capabilities despite public relations baloney to the contrary, but in relation to their loyalties to the organs of doublespeak. Journalists within the media web work within the limits nailed down by the corporate market system. Their pickings are delectable. It is not surprising that Rosenthal, the Israeli representative on *The New York Times* boasts an income of over $ 100,000 a year. As a leading British newsman privately acknowledged, "We've got to eat, got to pay the mortgage on the house, got to pay the school fees, support a family which means we've got to understand the world in which we live." Translation: effective pluralism is for the birds.

Marginalisation of dissent has been buttressed by the colossal centralisation and commercialisation of the mass media. The same doublespeak juggernaut that rolls on in the US is no less cruelly discernible in western Europe and Japan, and in the capitalist segment of the underdeveloped world. Demolition of public sector TV and privatisation have swelled the grab-bag of a few media moguls, and exponentially boosted media concentration. This is compounded by the total subservience of commercial TV on advertising and hence its enslavement to the mega-billion dollars of the advertising giants. It has thus become more amenable to government cajoling, virtually blocking out any tremors of dissent.

The class power structure that shapes media choices is neatly formulated in what the author designates as 'a power law of access' and 'an inverse power law of truthfulness'. The first law says that the greater your economic and political leverage, the easier your access to the mass media; the less your power, the more difficult your access. At a certain point on the declining power scale, access falls to zero. The validity of these laws is exemplified by the Gulf war, more dramatically by the sheer power of Perot's moneybags.

The demise of the cold war and the UN's tragic colonisation by the US and its ventriloquist dummies in the security council, the UK, France, and Russia has blazed new vistas of control for the imperial doublespeak machine. The US foreign policy no longer mainly requires state deparment alibis. That job has been pushed on to another class of international domestics. Boutros-Boutros Ghalli and the shuddering domesticated UN bureaucracy has prodigiously enhanced the muscles of imperialism. The UN's colonisation, however, commenced well before the USSR's crumbling and the chain reaction of events in 1989. In 1984, the US degutted UNESCO with its representative in Paris brandishing his ultimatum "that UNSESCO had better shape up or ship out". It has now done so with exemplary servility. This was synchronised to the declaration, obediently bellowed by all the frontmen of the G-7 that the New World Information Order (NWIO) destined to yield the third world a fundamental freedom of choice in news coverage and interpretation was immediately butchered. The butchery was executed under the phoney pretext that "the NWIO was nothing more than a police state monstrosity whose essence was government control of the media". The obvious model to be emulated was that of the impeccable moral credentials of the US, UK, Germany and France, precisely the exemplars of Big Capital whose billionaire controlled media was dedicated to the promotion of human freedom as a matter of high principle.

The triumph of this claptrap, mendacious as it was and still is, was but a ghastly portent of things to come as the US spokesmen in the Reagan/Bush cabal and the Heritage Foundation reminded us with each passing day. There were others of course that joined the chase, conspicuously the Thatcher stooges in the tabloid media. With the hijacking of the United Nations and the Security Council by the gang of four, as they are now dubbed by the less boot-licking sorts of UN civil servants, there is no more need for alibis and cover-ups. The UN and its agencies are now to be numbered among the prime players in the macabre game of doublespeak. The odiousness of the corporate oligopoly and its advertising behemoths has multiplied phenomenally over the last five years. This is not the end of the road. Crimes in violation of international law have ceased to exist. Israel's expulsion (the word misused to describe this criminal act is deported) is slurred over or better still distorted by the media.

Obviously, the oligopoly's power is not merely circumscribed by the ownership and control of print, television and broadcasting news in the advanced capitalist economies but now extends, as a perfunctory visit to east Europe and Russia reveals, to vast new territories, not least the underdeveloped segment of the world economy. Its pervasiveness is manifest in the burgeoning information and satellite television technologies joined to the inexorable march of media concentration. The news hook-up between the BBC News Service and the American ABC television network is indicative of the forces at work.

There is no need, however, for pessimism. As Herman emphasises, history knows no end and thus can never be a process of fixity and permanence. In words that that we must cherish he reminds us: "The 'cry of the people' in the third world has not been heard in the west; but the explosive uprising, when it comes, may be beyond the repressive capabilities of Globocop and its public relations system. The unshackling of the 'mere gooks' and 'mere Arabs' is the future task of historical change, which brings its own surprises." A final word. This work, and others of its kind, as we would expect, would have been spurned by any of the giant publishing houses. We owe a big debt to the South End Press, a non-profit, collectively-run book publisher devoted to the politics of radical change which has had the guts to publish this memorable achievement.

New Economic Policy and Technological Change

Towards New Initiatives

Vinod Vyasulu

Society which funds research and development has certain rights—it is a stakeholder. Innovations and their applications keep society growing, dynamic and competitive and help in improving people's welfare over time. In regard to patents, the issue of proportion among the different stakeholders—the inventor, the consumer, the manufacturer and the society at large—has to be carefully and rationally addressed. The theory of common property resources gives us a framework in which a balance can be struck among the interests of the different stakeholders. This is also an area where game theory and the work of public choice theorists can be imaginatively applied.

That Frog he grinned a grin of glee,
And hit his chest a thump.
"O Pig", he said "be ruled by me,
And you shall see what you shall see
This minute, for a trifling fee,
I'll teach you how to jump".

—Lewis Carroll

IN response to the balance of payments crisis, a number of reforms were initiated in the Indian economy in July 1991. There has been a great deal of debate among economists (and others) about the merits and otherwise of what has come to be called the New Economic Policy[1]—the NEP. Just as equity has not been a major concern of this NEP,[2] neither, explicitly, has technological change been one of the central themes of this debate, except in passing in connection with the TRIPs and TRIMs being discussed in the Uruguay Round Negotiations of the GATT in Geneva.[3] Unfortunately, however, these discussions give the impression that the issue of TRIPs and TRIMs and the economic policy changes are two separate things; that the GATT matters are independent of the economic changes underway, whereas they should be seen as an important aspect of such changes. The NEP is meant to globalise the Indian economy; and the Dunkel proposals deal with the conditions under which such globalisation can now take place. Hence the need to analyse them together.

The objective of the NEP is to put the economy on a high growth path by bringing about the necessary structural adjustments.[4] In this strategy, an important place has been assigned to growth in exports. Quite fairly, the NEP may be described as one variant of a class of export-led growth strategies, rather than a growth-led export strategy, i e, a strategy aimed essentially at economic growth in which export growth is a consequence. And in order to help increase exports, it is argued that it is essential to upgrade quality and modernise technology. Hence the 'opening up' of the economy from restrictions on import of foreign capital and technology. In order to bring in technology, it is considered necessary to remove restrictions on ownership, etc. This explains the need to dismantle laws like the MRTPA and FERA. Once these changes are made, foreign investment is expected to go up, modern technology to enter the country freely and a revitalised Indian economy is expected to compete in world markets. In the words of the managing director of the IMF, this is the process of 'tigerisation' of India.

In this context, there have been debates on the stand taken by the former US trade representative, Carla Hills, and her threats under US laws known as Super 301 and Special 301 to impose punitive tariffs on Indian products. on two occasions, India has even been put on a 'hit list'. These laws enacted by the US Congress, are meant to protect US patents and to open up foreign markets to US firms. they are not international treaties. They are being used in part to pressurise India to accept the GATT proposals on intellectual property rights. This would require drastic changes in Indian patent law as India is not a party to the Paris convention but has its own law, enacted after much deliberation.[5] And it would require major policy shifts—for example, life insurance is nationalised in India. We would have to open up this field to foreign companies. (In the 93-94 budget, the finance minister has proposed setting up a committee to examine the structure of the insurance industry, taking the first step to politically initiating this change.) Thus, both TRIPs and TRIMs would require major changes in Indian policy and Indian law. The NEP so far has not taken all these steps.

The fact that a comprehensive 'compromise' document on these complex issues has been put together by the secretary general of the GATT—Arthur Dunkel—and placed before the developing world on a take it or leave it basis, has not helped the debate. Many have reacted angrily to the implicit arrogance involved. These proposals, covering all the issues being discussed in the Uruguay Round, are, on balance, clearly tilted in favour of the developed countries. It is the commercial and trade aspects that dominate the proposals. Whatever the rhetoric about 'sell out' and 'sovereignty' or what not, these decisions have to be taken by a government that we have put in office by a democratic, constitutional process; and to that extent we too are responsible. It is dispassionate analysis and not anger that is needed in this situation. We have to exert political pressure on the government and on parliament and ensure that our national interest is protected.

This question of national interest may require some introspection. Clearly, economic growth is good for the nation. But is economic growth alone enough? If not, then what more do we need? In earlier years, India stood for 'growth with social justice'. Do we now give up social justice? Or do we act on the presumption that growth will lead to greater equity in due course? Or do we replace 'social justice' with some other clearly defined notion of social welfare or equity? If so, what? I submit that we cannot give up equity altogether.[6] At a minimum, we must take into account the needs and views of at least a simple majority of people in the country if our claims to being a democracy are to have any substance at all. If that majority lives below the poverty line, then, apart from the economic, the moral argument for ameliorating their lot is a powerful one. The need to better the lot of the poor is clear, and imperative, and must be part of any policy in India. There may, of course, be differences on how this must be done. Clearly, there are important and

complex matters here that merit deeper analysis. But that is another story.

There are two contrasting value positions at the base of what is going on today. The economy because of government finances was in a crisis by 1990,[7] and reforms were needed—on this there is little dispute. Agreement on the need for reform does not imply agreement on the causes of the crisis. Agreement on the need for changes, does not, clearly imply agreement on either the type of changes needed or the sequence in which thing must be changed or the speed with which such changes are to be made. There is plenty of scope for discussion. The government assertion that there is no alternative to the NEP is simply not correct.

The other point of view also stresses the importance of deregulation, of dismantling the 'baburaj' of licences and controls that had grown to gargantuan proportions. It cautions against an indiscriminate and immediate globalisation of the economy; domestic reforms must come first.[8] The public sector enterprises need basic reform as does banking and agriculture. This view stresses the importance of a good public distribution system and effective investment in social services, especially health and education. It sees part of the remedy in decentralisation—to the district and panchayat levels—as an essential step in such deregulation.[9] It stresses the need for strategic planning by the state, the setting of priorities and the creation of a facilitative environment, as contrasted to the earlier regime of everything being done by the government. It emphasises the importance of equity in the process of adjustment and reform, not merely the need for growth. It is accepted that structural adjustment is painful; but it argues that the pain be shared, especially by the well-off. It argues that the path chosen by the government in the NEP places the burden squarely on the poor—the inflation in the price of food articles is cited as evidence of this. In addition to getting prices right, it is important to get state intervention right.

What I find disturbing in the government pronouncements is the rhetoric of 'free markets'. They are talking of creating an environment, where competition is the key and the consumer the queen. The consumer has a choice of goods and by her choice of what is to be bought and what is not to be bought, she can make or break companies. (Yes, companies like Hindustan Lever refer to the consumer as 'she'; clearly they are gender sensitive!) The central idea projected is that, in all circumstances, the free market is efficient because it is assumed that there will be a larger number of buyers and a large number of sellers. Those who do not sell their goods at acceptable prices will fall by the wayside, while the more enterprising and efficient ones will grow. This is the (simple minded) logic by which a large number of reforms are brought into play. And this is the logic explained in the undergraduate textbooks of economics. It abstracts a great deal from the complexity of the real world. At the ground level, things seem to work differently. Professional economists cannot wish away this fact; and an uncritical acceptance of the logic of free markets needs to be challenged.

The question to ask is: in order to import all that we require, what is it that we can sell abroad? There is one school of thought which says that our main advantage being in agriculture, we must try to export more of agricultural products. It has been indicated by B S Minhas, that we can export agricultural goods worth US $ 2 billion a year.[10] Without questioning this figure, we can easily guess that one immediate fall-out of this policy will be a steep rise in the domestic prices of essential food materials and that has its own consequences Minhas has dealt with these issues in detail; his logic is powerful.

In the agricultural sector, we are not (yet) so dependent on foreign technology. Our farmers have been growing crops for years and with some more support the yield can (perhaps) be augmented, provided the current proposals on agriculture in the Uruguay Round negotiations of the GATT do not legally erect barriers, e g, by giving multi-national companies a monopoly in production of seeds as a result of the proposal to patent even life forms, which is not allowed by law in India.[11] But even if that does happen, it is not impossible that output increases take place, in alliance with agribusiness corporations, on terms that may not be the most favourable to the farmer. But politically, this may not be a realistic option.

Therefore if we cannot rely on the export of agricultural goods, we have to fall back on the export of industrial goods. When it comes to industry, the production has to be based on modern scientific knowledge, on ever changing technology and ongoing R and D efforts. One must also have the ability to respond to the changes in the market scenario. But it is here that our vulnerability becomes quite obvious since[12] we have today an industrial system where nearly everything is made with foreign collaboration, whether hi-tech or low-tech.[13]

It is well known that one of the conditions of such foreign collaborations is that the goods produced with such technology in India will not be allowed to cut into the collaborating firm's markets in other countries. Even if this restriction did not exist (and it does), it may not be possible for Indian industry to tap foreign markets in such cases. We have got the know-how, but not, I fear, the know-why or the design and development capability which is essential if a firm is to respond quickly to market changes. I cannot think of a (non-traditional) product that is made without collaboration. I cannot think of areas where, starting with imported know-how, Indian R and D has developed the process further to improve quality or develop new products for the local market, let alone the foreign one. In fact, our industry is proud to advertise that shaving blades are made with Swedish collaboration or shoes are made with Italian know-how or pressure cookers with American technology and so on *ad nauseum*. I wonder if there is a non-traditional product based on technology resulting from Indian R and D that is available in our markets. If this be the scenario, I do not see really, what is it that we can sell abroad, in order to buy our essential requirements (like petroleum products) from the foreign market. To my mind, this is the crux of the present problem

The question is not whether we should participate in international trade or not. We should. It is whether we can identify those few, may be half a dozen, areas of industry, in which we can compete successfully in the foreign market. The ability to do that would depend upon our own resources. This does not mean natural resources alone since countries like Switzerland and Japan, with very limited natural resources, are (really) the world leaders in many sectors of industry. Switzerland, without any iron ore or coal, is a leading nation in machine tools or drug manufacture; Taiwan in computer peripherals, Thailand in garments and sports goods; while Japan has established itself in so many areas that it is difficult to pick just one or two.

We need to train our manpower resources in such a way that we can reach international levels of technology and quality in some fields and gain a reputation in exports.[14] We have to look to competitive advantage rather than comparative advantage. For that, however, we need a cluster of firms in the concerned industry that compete in the domestic market; we need a domestic market as a base; we need firms working in related areas of technology; and we need an industrial culture that invests reasonable amounts in Research and Development constantly. These are the insights of empirical research.[15]

Let us now see what we in India can make. Our mistake in the past was that we

tried to make everything. While it is not impossible, the costs would be astronomical and hence we cannot compete with others who specialise. We must concentrate where we have a *competitive* advantage. If it is in software, as we are often told, then let us get our act together and take on the task seriously. The exports in the relevant fields should be brought together in a congenial environment and encouraged to work. An earning of Rs 400 crore from software exports in 1992-93 is just not good enough. What is lacking? What has to be done, and who can do it? And so on. If it is in the peaceful applications of space technology—satellites, telecommunications and the like, let us put our resources together till we succeed, and not repeat the tragedy of the fertiliser industry, where our technological competence was dismantled by ourselves.[16] If it is in leather products, once again it is important that we leave no stone unturned in our effort to become the best in the world. Such areas of potential have to be carefully identified and nurtured—as Korea did.[17] Who would have believed, 20 years ago, that Korea would lead the world in steel-making and ship-building? It is the result of painstaking efforts—an example of the right kind of planning by the government.

We cannot depend upon repeatedly importing technology in all sectors and hope to build up an export presence[18] in world markets. In every major fields today, machine tools, electronics, chemicals and so on, we are dependent on foreign collaboration; and repeated foreign collaboration. This is not to say we must not have foreign collaboration, but to stress that we must learn from it and build on it on the basis of a clearly understood strategy. Sadly, that has not been the case in general. If earlier we erred in one direction today we seem to be erring in the opposite direction.

The alternative to the current impasse is not to enter whole-hog into unthinking collaborations as the government has recently begun to permit. The opposite of too much control may be no control: but what we need is proper control based on clearly defined priorities and a clear operational strategy. This option of withdrawal by the government in favour of private initiative chosen by the finance minister is based on the understanding that our industrialists would not like to invest in R and D to develop better products. They will not take such a risk.

There are two ways to maximise profits—by trade and by manufacture. In the west, mercantile capital gave way to industrial capital over time. In India, where there is a long tradition of trade, industry in the sense of manufacture has been an add-on, a diversification, and not the central motive for being in business. Our large business houses have roots in trade. In trade, via buying and selling, money is recycled quickly; margins are high and attractive. In manufacture the gestation period is long; margins are low and profits depend on turnover. Why get into this complex business when one can trade in MNC goods? Thus, the logic of profit maximisation in this country encourages trade and not manufacture. The current reforms strengthen this tendency.

Indeed, the peculiar and not so complimentary phrase 'foreign collaborated firm' is formally used in Indian industrial statistics. And every major firm, public or private, is one. (It is only in the small-scale sector that we find exceptions.) From 'foreign collaborated firms' they are becoming the Indian offices of foreign firms. Firms that came up to produce on an indigenous base are now becoming subsidiaries/branches of MNCs—Wipro has become Wipro-Sun; HCL has become HCL-HP; PSI has become PSI-Bull; Kinetic Honda has given Honda 51 per cent equity holding, and so on. The much sought-after NRI investment is nothing more than the Indian face of international capital; and it has a logic of its own. Multinational interests and national priorities need not be identical. Today, it is being assumed that they are identical.

It is against this background that we should understand Indian industry's friendly reception to the Dunkel proposals. To quote from an IDRC[19] report "Although the argument for intellectual property protection is often couched in terms of increasing incentive to research, in many ways the motivations and the pressures are much more commercial and trade oriented; patents are being used to protect investment". If in the light of this situation we examine the proposals of the Dunkel Draft, the industry, as a whole, will be supporting it because it will get immediate access to technology and brand names, especially consumer goods technology, along with a reputation for quality that these brand names enjoy, e g, Sony. Given its reputation for shoddy quality, which has (deservedly) built up over the years, this quality guarantee is important to Indian industry. It will say that in exchange for the MNC brand names, we will have to pay the royalty and that is quite fair. Instead of BPL-Sanyo or Kinetic Honda, we will sell Sanyo or Honda; and as soon as there are changes in the brand in the west, or Japan or wherever we will get them immediately. Our marketability will improve, there will be growth, there will be profit, that is what we want and that is what the government policies should encourage.

Industry would also argue that multinationals would be attracted here, because of the vast domestic market of some 150 million people who form what is called the 'middle-class'; this investment would create some jobs, e g, those of agents or retailers and, in a few cases, manufacturing under their supervision. Let the MNCs invest in R and D we are told, they have the size and capacity for it which we do not have; they have the risk taking capacity we do not have; we will manufacture in India with their permission; as long as profits are assured how does it matter whether we become competitive in the world market; the consumer will anyway get world quality products at competitive prices. Export obligations and phased manufacturing programmes should be done away with as they are a disincentive to foreign capital. We are satisfied with the domestic market. As long as industry grows and gives us profit we are satisfied (to sell abroad, any way, we need MNC expertise in both technology and marketing and so we should not antagonise them). Perhaps, as sub-contractors to MNCs, we may get some export orders too and that would be a bonus.

With such an attitude, the industry would endorse the Dunkel proposals with, at best, a few cosmetic modifications here and there. Thus the Indian industry cannot really be the ally of the Indian scientist and R and D worker in opposing the Dunkel proposals which effectively advise us to function by their rules, typified by the opening quotation from Lewis Carroll: be ruled by me, and you shall see what you shall see.

Those who are opposing the Dunkel draft proposals are those who have stakes in R and D, for example, our academics and R and D workers; and those who believe that the national self-reliance that we have tried to build for the last 40 years is worth preserving and pursuing. To avoid any misunderstanding, such self-reliance is not self-sufficiency or autarky.[20] It is not export pessimism of the type criticised by Isher Ahluwalia. We may have to change our strategies but not our objective. Our own interests demand opposition to the Dunkel proposals. For, to quote again from the IDRC paper, "What is being contemplated within the GATT and within the bilateral trade negotiations is the wholesale transplantation of a system of legal protection to be used under very different social and economic conditions from those for which the system was designed. The system in question has not even been endorsed by the people of the exporting culture". Here lies the conflict

between two clear-cut values, namely, one of profit seeking (even if as a subordinate in the world system) as opposed to one of seeking self-reliance and the ability to trade in the world market on equal terms.

And here, we must be clear about the magnitude of the task ahead. It is necessary to recognise, as we support the stand of the Indian drug industry in favour of retaining the Indian Patent Act of 1970, that it cannot forever remain an imitator who plays a useful role in enhancing competition but must itself also go in for innovation and R and D to develop new formulations which is a risky business. If the Indian drug industry has no vision beyond dealing with the immediate threat posed by the Dunkel proposals, then, in return for support, pressure must be put on them to embark on an R and D programme of their own. It is necessary to recognise that the rhetoric of the farm lobby hides tremendous inequity; that the benefits, which it is stated are 'national benefits' accruing to 'poor farmers' may in reality benefit a well organised, articulate, politically powerful well-off section in rural areas and not the rural landless labourers. In supporting them in battling the Dunkel proposals, we cannot be seen as supporters of rural exploitation. That too must be fought, and for the same reasons. The domestic devil is no better than the foreign one.

In early 1993, the farm lobby has anyway split, with Mahendra Singh Tikait against the Dunkel proposals and Sharad Joshi in favour of accepting them. Clearly, there are political stakes involved. It is in this complex context that an alternative to the Dunkel proposals must be formulated. Clearly, this is no easy task. This is part of the challenge EPE has accepted in organising this seminar.

One of the points to note is that in areas where we have no access to foreign scientific and technological knowledge and we decide that the ends are important enough, there are proven instances of success. Nuclear energy and space applications are outstanding examples where although we are not fully self-sufficient we have made phenomenal progress. Sometimes, without global links, we seem to grow in self-reliance if given proper support by the government and set up suitable non-bureaucratic systems and institutions for the work programme. (This should not be interpreted as an argument in favour of making nuclear weapons. That is a separate issue.) What I refer to is the context of technological progress; it is not one of globalisation but one of domestic competence in a dialogue with peers, wherever they be.

I thus find it hard to believe that we *cannot build* a radio or make shoes or *manufacture shaving blades competitively on the basis of our own efforts. It is possible that there are gaps in our capabilities but I doubt if they are insurmountable.* Also, as I have stated earlier, we have to select a few areas, go about doing things in the 'mission' mode, invest in it, develop institutional mechanisms; persevere in it; and at the end of a few years we may obtain results Clearly, this is a difficult task, and it must not be underestimated. And when we obtain results, we must build upon that success; nurture the individuals and the institutions, and encourage further work. This *caveat* is necessary because, in the past, we have destroyed those who have obtained results—the experience of FEDO and FACT in the fertiliser industry of India is a clear-cut case in point.

The problem is that the regime of intellectual property rights as proposed by the Dunkel draft will make such an option illegal, because then the permission of the patent-holders is essential, whatever the national interest to undertake further R and D; and, in key areas, it may not be given. There is no provision like compulsory licensing.

There is an articulate lobby today supporting the Dunkel proposals and it is surprising that it has not yet pushed the government into signing the draft (particularly when the government has already announced so many packages to satisfy the interests of this particular lobby). If the government of India has not signed the Dunkel draft yet, perhaps this is due to the fact that the other group, namely, the 'self-reliance' lobby too has now got sufficiently well organised. There is a National Working Group on Patents, headed by Dr Nityanand which has been stressing the dangers of signing on the dotted line. There are also eminent individuals like Justice V R Krishna Iyer and Rajiv Dhawan who have opposed the Dunkel proposals. There have been several petitions, statements and articles in the national press which have stalled the progress of the pro-Dunkel lobby within the government. The Indian Drug Manufacturers Association has also got organised on this issue. Based on process innovations, the Indian pharmaceutical industry has made rapid progress, and is among the most cost effective in the world today—that is in terms of production from various processes of products that have been patented elsewhere. Their record of R and D for new drugs is not so impressive, but that is another story. If the Dunkel proposals are accepted, their costs would shoot up blunting their competitive edge.

Consider agriculture. The raw material for innovations in bio-technology is germ plasm, available in plenty in the tropics and specially in India. Indian farmers have been using this heritage of mankind for centuries in, say, growing rice. If the Dunkel proposals are accepted, then it will become possible for multi-national firms to patent products that are derived from biotechnology research from the germ plasm found freely in India and given freely by India to them. The firm would then get certain important rights as a patent-holder.[21] Indian law does not permit patents in agriculture, as it is considered essential for life. But what about the rights of the traditional farmer? Has he no right to seeds, traditional and hybrid? Why should the germ plasm be treated as a free good—the heritage of humankind, especially when such treatment benefits the rich developed nations and always against the poor developing ones? Are these not double standards? The so-called farmers' rights endorsed by the FAO are pitiful in comparison with the absolute right given to the patent-holders and these are in addition to the rights held separately under the category called 'plant breeders' rights'.

A thousand years of tradition in 'Ayurveda' can be set to naught by an MNC that patents ayurvedic formulations by making a minor change in its biotechnology lab. That can hardly be considered just. Such one-sided arrangements are what are being contested by those who question the Dunkel proposals. A system which emasculates research in the developing countries cannot be accepted as a fair one. The developing countries are being diplomatically told that rape is inevitable: it is up to them to lie back and enjoy it.

There were also, I think, some differences within the government on accepting these proposals. If Manmohan Singh and the bureaucrats wish to sign the Dunkel proposals, then Balram Jhakar and Rajesh Pilot, at one time, opposed it. A cabinet committee headed by Arjun Singh was set up to suggest what is to be done. (It is understood to have recommended a discussion in parliament.) But now, in early 1993, apparently these differences within the government have been sorted out. Jhakar is now in favour of signing these proposals. Unfortunately, the public is not given access to all this discussion—it is top secret from the people of India!

Hence, it is at this stage that we must get together and activate ourselves in opposing the proposals, because at a stage when the final decision has not been taken it helps a great deal to add to the political pressures. But it must be done on rational grounds. We must insist on our right to information; on transparency in national decision-making; on proper parliamen-

tary debate. I believe self-reliance as a national goal is rational, however unfashionable this may be made to appear today. I also believe that equity is important; and that equity and self-reliance cannot be separated. We must ensure that the path of progress in science and technology via R and D is not closed to us, as that would mean continuing dependence. If the government position is that none of these will be jeopardised by accepting the Dunkel proposals, then they must explain why and how to the sceptics.

The support that the Dunkel proposals apparently enjoy in the advanced countries is based on the hypothesis (or faith?) that it promotes free trade and is hence beneficial to all the participants in the process of trade. While it is an accepted theory in economics that free trade between nations helps develop specialisation, for this theorem to be valid certain important conditions need to be met. It is true that the free market leads to the lowest cost of production, the lowest prices, to optimal profit. But it also assumes that all parties that take part in the market have equal levels of knowledge and technical information. It is also assumed that there are many players on both sides of the fence so that none can *directly* influence prices. There are only price 'takers', no price 'makers'. What is being done through the Dunkel proposals is to convert one of the sellers into a *monopoly seller* by giving patent protection on very favourable and one-sided terms.

In fact, the Dunkel proposals are the anti-thesis of the free market. Once you give a patent-holder the exclusive right to a process and product for 20 years such that commercial exploitation of the patent can be done only on the terms allowed by the patent-holder, when even importing the product is going to be considered as exploiting the patent within the meaning of international patent law, it becomes equivalent to placing the patent-holder in the position of a monopolist. There can be no rival sellers. The theory of the market says that if a seller sells his goods at Rs 2 we give the opportunity via freedom of entry to another seller to sell it at a lower price. In contrast, the acceptance of the Intellectual Property Rights regime, as suggested by the Dunkel proposals, will prevent such a situation from arising as it erects an unsurmountable legal barrier to entry. We know in economics that under monopoly, output is restricted and profits are inflated. The monopolist can extract rent, he will continue to do so indefinitely if there is no danger of competition from R and D and innovation by others. Product patents will eliminate imitators; in the long run it may even reduce the motive for R and D. This will eliminate the factor that keeps capitalism dynamic. The pessimism expressed by Schumpeter would then have added justification.[22] But that is another story.

Yet another point is that the market works best when the property rights are clearly defined As far as physical commodities are concerned, e g, tables, chairs or cars —property rights are easy to define. Once we buy such a commodity, we can use it in whatever way we like, deny everyone else its use and no one can dispute the property rights. But when it comes to intangible items, it is not so easy to define property rights because of search and transaction costs. To define property rights clearly, it is necessary to define the boundary. For land it is easy. But in other cases—say noise a bus makes, or the traditional seeds that farmers use or the air that we breathe—it is not very easy.[23] It is necessary to get all kinds of information, and this can be both difficult and expensive. In economics literature, these are called search and transaction or information costs, and, if they are very high, it is not easy to define property rights in sufficient detail.[24] The market then fails.[25]

While there is a place for market functioning, there are also areas of market failure. In the latter case one can draw help from the concept of externalities and common property resources. R and D has many externalities. And hence the need to get state intervention right. And the need for new initiatives.

It is in this background that the question of patents is to be examined. Once you make an invention, obtain the patent rights on the product and create information barriers, then the conditions of a free market automatically vanish. Process patents like those prevailing in India leave open the possibility of Schumpeterian imitation. Others, with different methods of manufacture, will enter the market and compete, as the Indian drug industry has done. After product patents are granted there will be information barriers, and legal entry restrictions, there will then be only a single seller and hence it becomes a monopoly condition as opposed to a free market one. We are trying to use 'free market' jargon in a situation that does not apply to it at all. All this discomfort about the Dunkel draft proposals, the burden of proof, the period of protection, product or process patent, etc, arises because we are desperately trying to make it appear as a market phenomenon, when actually it is not. It has to be understood in some other way.

It is not enough to reject the proposals, we must present an alternative. As a student of economics, I can think of one way in which this alternative can be evolved; I am sure there are others. Rather than apply the theory of markets, that is being proposed, we may usefully consider the concept of common property resources. There are certain rules that govern the use of common property resources, i e, there are certain conditions in which this will thrive and conditions in which this will decay.[26] This is now becoming well known in economics and one of the factors that needs to be considered in such situations is that one has to account for the interests of the various stakeholders. I am no longer using the term property, but 'stake' signifying the new institutional economics.

It is my contention that the R and D process be understood as one of sharing a common property resources, where future generations are also stakeholders. In an area like research and development and the invention/innovation process there are several stakeholders: consumers, job-seekers, tax payers, governments, and so on. One of them is of course the researcher who makes the invention. He deserves credit and there can be no debate about it. But does he make his invention in isolation? For example, at the Indian Institute of Science and other such research institutions several inventions have been made and there are several patent-holders but do they make their discovery in isolation? Can they function outside the academic environment of debate and discussions among peers? Innovation is a social process.[27] Scientists work in institutions funded by the government, which provides labs and equipment, and they work in an environment of discussion with highly qualified colleagues. In research activity these factors are important and very often a particular discovery may be the last brick in a programme of research that has been going on for a long time and involving a large number of scholars, from professors to students in many places. While one does not intend to deny the credit to the person or group who make the invention, it should be recognised that it is a part of the social process of research. That is what scholarly tradition is about.

In a country like India, we certainly should not risk our tax payers' money in scientific research if the benefits flow only to the scientist concerned or to his employer and not to society. If research is supported by public funds, as in India, it *must* serve a public purpose. (Even privately funded research cannot be divorced from public purposes because there are many stakeholders in research. But the weights assigned to each may well differ[28].) It must not be forgotten that, even in the US, research is publicly funded. It must be treated as a merit or public good,

not as private property.

Money for R and D comes from various sources. For example my salary is guaranteed whether I make an invention or not. In return for my salary I put in my energies and (if I am lucky) I get academic credit. But, the society which funds such research has certain rights,—it is a stakeholder. Innovations and their applications keep society growing, dynamic and competitive, and help in improving people's welfare over time. So is the consumer a stakeholder. As an example, look at the case of life-saving drugs. If I succeed in developing a formulation which cures AIDS it will be inhuman to say that unless someone gives me US $ 20 billion, I will not allow anyone to make this drug. A patient has a right to benefit from the results of society's research efforts. (Entrepreneurs have a stake too—the right to set up productive units to make profits and generate employment.) There must be some sense of what is proportionate. This question of proportion, in the issue of patents *vis-a-vis* the different stakeholders, between the inventor, the consumer, the manufacturer and the society at large has to be carefully and rationally addressed.

Society has an interest in such issues. It is necessary to come to some balance in relation to these different stakeholders and the theory of common property resources gives us a framework in which this can be done. This is an area where game theory can be imaginatively applied. It is quite possible that, at different points of history this outcome will differ. It is possible that there are many outcomes that may have to be ranked. Of course, this does not mean that every one will be satisfied with the outcome. But at least no one can be ignored and the interest of all parties have to be openly considered. The outcome, if it is through a democratic process, must represent the social optimum and be respected as such. It is possible, in such a process, to change decisions over time—an outcome is not forever. The work of public choice theorists like Buchannan provides a logical base for such a process.[29] Other approaches cannot be ruled out. It is essential to work towards such outcomes.

Notes

[This paper draws on material from lectures given over the last year in a number of places, and I am grateful to the participants for their critical inputs. In particular, I must mention the seminars in the following institutions: Forum for Science and Development, Bangalore Social Sciences Forum, National College, National Aeronautical Laboratory, Indian Institute of Science and National Law School of India all in Bangalore; Department of Economics, Osmania University, Nuclear Fuel Complex and Institute of Public Enterprise, in Hyderabad; and Institute of Development Studies in Jaipur.]

1 V Vyasulu et al, 'Towards a Political Economy of the Recent Economic Policy Changes', *Economic and Political Weekly*, September 1991 for an immediate reaction; Shobha Raghuram (ed), 'Development Policy: Challenges of the 90s', HIVOS, Bangalore. August 1992 for review after a year.
There have been two very carefully thought-out and persuasively argued reviews of the NEP recently. See M Y Ghorpade, 'Wither Indian Economy?', ISEC-Rajyostava Extension Lecture, November 21, 1992 and Deepak Nayyar, 'Indian Economy at the Crossroads'.

2 See Sanjay Baru's contribution to this seminar. The environmental aspects have been discussed in Gopal Kadekodi's paper.

3 On GATT, TRIPs and TRIMs, there has been much debate. See for example the papers by Biswajit Dhar and Deepak Nayyar in the *EPW*, December 5, 1991. Also, K S Krishnaswamy, 'The GATT Negotiations and the Dunkel Draft' talk at a seminar organised by the Forum for Science and Development, Bangalore, April 18, 1992.

4 The best statements of the official thinking are, perhaps, Isher J Ahluwalia's two books from Oxford University Press, Delhi, *Industrial Growth in India—Stagnation since Mid-Sixties* (1987) and *Productivity and Growth in Indian Manufacturing* (1991). For a critical review, see L C Jain, 'Turnaround in Industrial Growth—Hasty Claims for Liberali-sation', *EPW*, February 20-27, 1993.

5 See Ashok V Desai, 'India in the Uruguay Round' in H W Singer, Neelamber Hatti and Rameshwar Tandon (eds); *Trade Liberalisation in the 1980s*, Indus Publishing, New Delhi, 1990.

6 On this, see Prabhat Patnaik: *Economics and Egalitarianism*, OUP, Delhi, 1990

7 See Vinod Vyasulu et al, op cit.

8 See I G Patel's Foundation Day Lecture at the IIM, Bangalore, published in IIMB, *Management Review*, December 1992. This issue has a useful module on the NEP with contributions by Manmohan Singh and others.

9 See the series of articles in *EPW* by Arun Ghosh from November 1991 to April 1992.

10 In his Kale Memorial Lecture at the Gokhale Institute of Politics and Economics, Pune, in 1991. See *Artha Vijnana*, 1991.

11 J H Barton, 'Patenting Life', *Scientific American*, 264(3), 1991.

12 See M R Bhagvan, 'The Capital Goods Sector in India: Past and Present Trends and Future Prospects', *EPW*, March 1985. The situation in agriculture is probably not so bleak.

13 Coondoo, Neogi and Ghosh write of the "growing interest in capital-intensive techniques aided by government policy through foreign collaboration". And their studies show "that inefficient use of resources has become the order in Indian industries" during 1974-75 to 1985-86, *EPW*, February 20-27, 1993.

14 To quote again from Coondoo et al (op cit), a "Strong R and D wing for the industries should be encouraged through effective policy frame by the government to evaluate the adaptability of modern technology and to develop indigenous technology as well. Finally selection of industries, where foreign technology is to be allowed for is the primary pre-condition for stimulating industrial dynamism."

15 William Porter, *The Competitive Advantage of Nations*, Macmillan, New York, 1990.

16 See the PhD thesis of Biswajit Dhar, JNU, 1988, on the fertiliser case; and Vinod Vyasulu et al's article on destruction of LCD technology in India in *EPW*, November 1-7, 1986.

17 See Amiya Bagchi's study of Korean policy-making and the role of the state in his ILO/ARTEP study, New Delhi, 1987.

18 See Reserve Bank of India, *Foreign Collaboration in Indian Industries*, Fourth Survey Report, RBI, Bombay, 1985.

19 Brian Belcher and Geoffrey Howtin, 'A Patent on Life: Ownership of Plant and Animal Research', IDRC, Ottawa, Canada, 1991.

20 At a theoretical level, one may refer to the writings of Nicholas Kaldor on technology, e g, his 1972 paper 'Advanced Technology in a Strategy of Development' in *Further Essays on Applied Economics*, Duckworth, London, 1978.

21 Brian Belcher and Geoffrey Howtin, op cit.

22 J A Schumpeter: *Capitalism, Socialism and Democracy*, New York, 1942.

23 These have been discussed in Belcher and Howtin, op cit.

24 Yoram Barzel: *The Economics of Property Rights*, Cambridge University Press, Cambridge, 1988.

25 The literature is vast, Francis Bator, 'The Anatomy of Market Failure', *Quarterly Journal of Economics*, 1958, and Nicholas Stern, 'Development Economics: A Survey', *Economic Journal*, 1990.

26 See for example, Kanchan Chopra, Gopal Kadekodi, M N Murthy: *People's Participation and Common Property Resources*, Sage, Delhi, 1990. See also their paper in S N Chary and Vinod Vyasulu (eds), *Managing India's Planning*, Printwell, Jaipur, 1992.

27 See the delightful description by Werner Heisenberg in *Physics and Beyond*.

28 The issues in privatising such research are discussed in Belcher and Howtin, op cit

29 For example, J Buchannan and Gordon Tullock: *Calculus of Consent*, Michagan, Ann Arbor, 1968.

Multiplication of Nations?
Political Economy of Sub-Nationalism in India

Sajal Nag

The nationality formation process in India has reflected itself in multiple ways: in the growth of respective vernacular literature, agitation to establish particular languages as official languages of particular areas, movements of backward nationalities to break away from an advanced nationality and earn recognition for themselves, the movement of a particular nationality group, which was separated from the parent nationality and was living amidst a different cultural group as a result of administrative unitisation, to rejoin the cultural mainstream and, lastly, the movement of groups which are still at a tribal stage of development but have struggled against the exploitation and encroachment of outsiders to have a province of their own to minimise exploitation and encroachment.

In a country where capitalism is slowly reaching new areas and awakening new cultural groups to life, the stream of sub-nationalistic uprisings seems to be unending. New demands and aspirations continue to surface, some of which are demanding complete independence, not just self-rule. The Indian nationality question cannot be studied in exclusion of these aspects because the culmination of this process can alone prove whether India has been a nation-in-the-making or a nation-in-the-unmaking.

UNTIL very recently, the Indian national movement was seen as a unilinear, mono-dimensional movement. Its sole objective was to awaken and rally Indians together to combat British colonialism and after a prolonged, by and large non-violent, struggle, it succeeded in overthrowing British rule in 1947.[1] The only diversion being the separatist attitude of the Muslims. Surprisingly, the entire Muslim community was generally associated with separatism—not just the Muslim League. The British played its divide and rule manoeuvres thereby communalising Indian politics leading to the partition of the country.

One of the foremost challenges to this historiography came when the Indian national movement was characterised as a bourgeois democratic movement, uncovering the basic nature and class character of the movement.[2]

This tendency pointed out the failings of the national movement. Firstly, it failed to intermingle the currents of national and social discontent into a single anti-colonial, anti-feudal revolution—a lapse which was described as 'tragic'.[3] Secondly, it failed to ensure perfect mobilisation.[4] This radical historiography pointed out that there has been a tendency of the 'elitist' historiography of Indian nationalism to concentrate on Gandhian or Congress stream of nationalism and treat popular (peasant and tribal) movements as an 'abnormal' outgrowth, peripheral to the study of the development of the Indian nation.[5] In other words, the elitist historiography labelled only the Congress-led movement as 'nationalist'. This critique pointed out that, as such, it presented only a distorted picture of the reality. In fact, though the Congress-led movements and the popular upsurge in various parts of the country flowed separately, often at opportune moments the Congress leadership tried to seize control of these popular movements.

The next challenge dispelled the theory that the achievement of Indian freedom was solely the work of the Indian National Congress. It uncovered vast new material to show that though the British tried to retain India till the end,[6] it was the immense pressure created by widespread revolt in the country in the second world war period that was more responsible for the British withdrawal.[7]

A further dimension of the national movement was discovered by another group of historians who found that there were two streams during the colonial period—one, based on a pan-Indian identity, fighting against colonialism; another based on a regional identity, working towards self-assertion and often fighting against the domination of advanced nationalities.[8] This school rejected the preconceived 'one-nation-one-nationalist movement' assumptions and came out with a formulation that considering the diverse linguistic, cultural and even racial constellation that India presented, it is a multinational, multi-ethnic country.[9] It is a nation-in-the making perhaps, but not a nation already.[10] It is a country which contains a number of emerging nationalities with different languages and cultures of their own. They are at various stages of development—none of these yet, by itself, form a nation. Together they form the Indian nation-in-the-making and the nationalist aspirations of these nationalities/ethnicities are satisfied or neutralised by the federal structure. The period of Indian freedom struggle was also the period of awakening for these big and small nationalities and ethnic groups. Such awakening often manifested itself in the form of agitations and movements for recognition of their respective vernaculars, formation of unilingual provinces and urge to break away from big nationalities whose domination they wanted to shake off. These movements based on regional identities have been variously termed little nationalism,[11] regionalism,[12] sub-nationalism,[13] and even fulfledged nationalism.[14] In general, these movements flowed in the shadow of the pan-Indian anti-colonial national movement and did not oppose it. As such these were not isolated movements and were seen as an integral part of the freedom struggle, even though, it sometimes resulted in social conflicts. Understandably, after independence, these movements reinforced themselves and with the redundancy of the anti-colonial struggle appeared magnified.

The resurgence of radical historiography has forced the entry of peasants, tribals, caste and working class movements into the textbooks of Indian national movement,[15] but the ethnic and nationalities' movement unfortunately still remain ostracised.

The Situation

The British had frequently characterised India as a non-nation on account of its multiplicity of languages, religions, castes and so on. But because of the colonial nature of the regime, under the British government the question of linguistic reorganisation of provinces received scant attention. Imperial considerations of the growth of British power and administrative convenience were the guiding principles. Even if implemented, it was done in an opportunistic manner. The principle was grossly violated in the partition of Bengal (1905) but used in 1912 to separate Bihar and subsequently Orissa from Bengal for political reasons. The distribution of provinces in British India was arbitrary and meant to meet the needs of the growth of British power.[16]

Such organisation affected the unimpeded development of emerging nationalities and ethnic groups. Several nationality areas were often combined within one administrative unit. Simultaneously the same

provinces.

The dynamics that set the forces of the Indian national movement (pan-Indian) in motion, were also responsible for the beginning of the process of nationality formation amongst various cultural communities inhabiting different regions of the country. The backdrop was capitalism in colonial form for both these parallel processes. The new mode of production required a unified political territory, homogeneous market and a common language. The British therefore, brought about the administrative unification of the country,[17] recognised the language of the major cultural groups they came across first as the official language of the area and broke open the isolation and exclusivity of regions and social groups. While this encouraged development of the relatively advanced cultural groups into nationality, the backward groups remained suppressed. Due to the headstart, the advanced nationalities not only spread their social, economic and political domination over the backward nationalities,[18] they even sometimes sought to absorb some of the incipient groups into the fold. The backward and incipient nationalities therefore had to resist of this domination and absorption and struggle to assert their status. The homogenisation thrust of colonialism created further complications in this process because it altered the existing administrative boundaries and created provincial boundaries which criss-crossed several ethnic and nationality boundaries.[19] Marathi lands for example were in Bombay presidency, Central Provinces, Hyderabad and small principalities of Deccan; the Andhras were in Madras presidency as well as Hyderabad; the Malayalis in Madras and Travancore-Cochin principalities, the Oriyas in Madras and Bengal presidencies as well as Central Provinces; the Bengalis in Bengal presidency as well as Assam. Such organisation not only stunted the growth of cultural communities but also created conflict situations in ethnic relationships.

The nationality formation process in India had reflected itself in multiple ways: n the growth of respective vernacular literature,[20] agitation to establish particular anguages as official languages of particular areas[21] movements of backward nationalities o break-away from advanced nationality and earn recognition for themselves;[22] the novement of a particular nationality group, which was separated from the parent nationality and was living amidst a different cultural group as a result of administrative unitisation, to rejoin their cultural mainstream;[23] and lastly the movement of the groups which were still at a tribal stage of development but struggled against the exploitation and encroachment of outsiders, both British as well as Indians, to have a province of their own to minimise exploitation and encroachment.[24]

Linguistic Provinces

The despatch of the government of India dated August 25, 1911, visualised India as a union of autonomous provinces. The contents of this despatch was not known immediately. But when it became known, gave impetus to the growth of the idea of linguistic provinces as a principle for arranging ethnic and nationality groups into geo-political areas. People living in composite areas, particularly, felt that unless provincial boundaries were redrawn and provinces reorganised on linguistic basis, provincial autonomy would become meaningless.[25] The Montague-Chemsford Reforms considered the linguistic reorganisation of states impractical though they were in favour of small homogeneous states. They however remarked:

> It is also a strong argument in favour of linguistic or racial units that by making it possible to conduct the business of legislatures in the vernacular they contribute to draw into the arena of public affairs, men, who were not acquainted with English.[26]

But this recommendation was not implemented as they contradicted the basic premise of colonial rule. However, there was some awareness of the logicality and force of linguistic nationality interests, though the setting up of Orissa in 1936 was the lone example of the British acceptance of the principle. Even this was granted not because of any people's movement but on considerations of administrative convenience. The repeated agitation of Sylhet to be transferred back to Bengal was not paid much heed. Thus Bengali speaking Sylhet and Cachar continued to be retained in Assam so that the two conflicting linguistic groups did not pose any unified threat to the regime. These are only a few examples of the desire of many ethnic and linguistic groups to be either unified with their kinsfolk or have a separate state. These were, however, persistently brushed aside by the raj Such neglect retarded the free economic, cultural and political development of these nationalities, developed or incipient.

The principle of linguistic provinces was recognised by the Indian National Congress quite early as a key to tackle the problems arising out of the multinational, multi-ethnic character of India. It implied indirect recognition to such a characterisation of India. It also stated that the basis of the prospective federal structure of India, the distribution of provinces, would be the linguistic principle. The Congress was first seen to have lent support to this principle when it opposed the partition of Bengal.[27] Three years later it set up the Bihar Pradesh Congress Committee even before Bihar was actually created into a separate province. Although Sylhet was transferred from Bengal to Assam as a district, it continued to remain under the Bengal Provincial Congress. The official recognition of the principle of linguistic provinces took place in the Calcutta session (1917) of the Congress. It was necessitated by the agitation for a separate Andhra Pradesh, Pressed by the Congressmen from Andhra, the issue had to be taken up in the Congress session of Calcutta but it was received with mixed feelings. Annie Besant, the president of the session, strongly opposed the whole idea. Gandhi while supporting the demand of linguistic provinces, thought the issue could await implementation of the imminent 1919 reforms.[28] Tilak said it would serve the interests of provincial autonomy. The subject was debated for two hours in the subjects committee.[29]

By 1918, Gandhi had come to recognise the underlying logic of the principle. This facilitated its theoretical acceptance by the Congress in its Nagpur session (1920). A resolution was drawn up in the session with a scheme for the division of India into the following provinces: Madras, Karnataka, Andhra, Kerala, Maharashtra, Gujarat, Sind, the United Provinces, the Punjab, the North-West Frontier Provinces, Delhi, Ajmer, Marwar and Rajasthan, the Central Provinces (with Hindi as its principal language), Berar, Bihar, Utkal, Bengal with the Surma valley districts, and Assam and Burma (then a part of British India). This was a comprehensive reorganisation plan based on linguistic considerations with Bombay being an exception. The resolution was passed in the session and a plan for launching a struggle to achieve it was also approved. This acceptance and approval was a result of the pressure from its regional units, especially the Andhra region, and the mass sentiment involved in the issue. The Congress subsequently followed up the resolution by setting up its provincial units on the basis of language. The principle was recognised and incorporated in the Motilal Nehru report (1928) and its recommendations were accepted by the all party conference the same year.

The report of the committee appointed by the all parties conference with Motilal Nehru as chairman known as Motilal Nehru Report (1928) (Jawaharlal Nehru and Subhash Chandra Bose were its other two members) reiterated the need for reorganisation of the provinces in India as it found that the existing organisation of provinces had no 'basis'—geographical, economic, linguistic or historical. It was based largely in administrative considerations aimed at the advancement of British power in India. Sometimes the formation was even accidental.[30]

The committee took into cognisance the demands arising from time to time for the separation and constitution of independent provinces of Andhra (the Telugu area), Utkal (Oriya), Karnataka (Kanarese), Kerala (Malayalam), Sind (Sindhi), the Central Provinces (Hindi speaking areas) and several

other such areas. Arguing on the criteria to be used for distribution of provinces, the committee stated that apart from geographical and economic factors the most important consideration should be the linguistic unity of the area and the wishes of the people concerned.[31]

Accordingly, the committee identified the Assamese area, the Bengali area, the Oriya area, the Telugu, Tamil, Kanarese and Malayali areas, the Marathi, Gujarati, and the Sindhi areas, and on the basis of the memoranda and representations submitted by the respective ethnic and nationality groups for their constitution into separate provinces. The committee concluded that the Kannadigas had a strong case for the constitution of Karnataka province. The people of Sind also wanted separation and the area satisfied the conditions of linguistic unity and geographical continuity. Moreover its connection with Bombay was most unnatural as it was not even accessible from Bombay. Hence the separation of Sind was also desirable.[32]

From the Oriyas there was no concrete representation except for a booklet and therefore the committee could not make any recommendation regarding the formation of Utkal although Subhas Chandra Bose who was a member of the committee put it on record that Oriya speaking areas should be amalgamated and constituted into a separate Utkal province. Bose also felt that the demand for the amalgamation of the Bengali speaking tracts in Assam and Bihar was also a reasonable and legitimate one. Regarding the unification and separation of Kerala as a separate province the committee opined that such a move would pose great difficulties, one being that Kerala consisted of the states of Travancore and Cochin and leaving out these states would reduce Kerala to a very small area. In such a situation, the committee for the present, did not make any recommendation regarding the constitution of Kerala.[33]

As for the difficulties that would come in the way of implementation of these recommendations, the committee opined that "administrative convenience is often a matter of arrangement and must as a rule bow down to the wishes of the people".[34] and hence administrative considerations should not prevent such reorganisation. They suggested that normally a province would be expected to bear its own expenses and not "live on hopes of money flowing from outside". But at the same time it felt that "a denial of the right of self-determination on purely financial ground is bound to lead to great dissatisfaction".[35]

The Movements

The Bengalis, Marathis and Tamils were the overwhelming majorities in the three presidencies of Bengal, Bombay and Madras. Being port cities, Calcutta, Bombay and Madras attracted a major chunk of British industrial investment and they soon developed into important centres of industry trade and commerce.[36] Consequently advance of modern communication, introduction of western education and the development of these cities as administrative centres boosted the nationality formation process.[37] The process received further encouragement as these metropolises included most of a particular cultural area. Thus by the time other nationalities were still incipient or in an embryonic stage, the Bengalis, Marathis and Tamils had not only been recognised as relatively advanced, they appeared dominant. The representatives of these nationalities were preponderant in the white collar sectors and dominated the national intelligentsia. These cultural regions emerged as a socio-culturally active zone and even wanted to retain their hegemony over other emerging or suppressed nationalities as can be seen in the case of Bengalis over Assamese and Oriyas, Tamils over Telugus, Malayalis and Kannadigas, Marathis over Gujaratis, Kannadigas, and Konkanis. The situation in Bombay presidency was complex. Although the Marathas were culturally dominant here, the Gujaratis were an economically powerful group. As such the two were competing groups. While the Marathas wanted to gain economic hegemony, the Gujaratis wanted an area where they would have a cultural stronghold. The Bengalis derecognised the language of the Oriyas and Assamese, taking advantage of the closeness of the languages and banished the other two languages as mere dialects of the Bengali language.[38] As far as Bihar is concerned, Bengalis were preponderate in the job sector and exercised socio-cultural domination over the Biharis, which became the bone of contention between the two.[39] The Tamils had maintained an overwhelming socio-political domination over the Telugus, Malayalis and Kannadigas[40] until it was challenged by the separatist movements of the latter. Although, the non-brahmin movement was a progressive caste revolt, the Tamils tried to maintain their hegemony over the others through the slogan of Dravida Nadu. Under the Marathas, growth of Kannada and Konkani nationality was stunted which prompted the latter groups to advance separatist claims and demand the formation of unilingual province.[41] Though Gujarati business interests were opposed to the move, the leaders of the 'Maha-Gujarat' movement wanted a province where Gujaratis would be culturally dominant.

The other movement that was seen amongst these advanced nationalities were for unification. The Swadeshi movement in Bengal (1905-11) was a reaction to the British plan to divide and rule the Bengalis. It is significant that though the Swadeshi upsurge struck a chord in far off Maharashtra, Punjab and even the south, it remained an essentially Bengali movement. Bengalis were 'emotional' against this British conspiracy 'to split and weaken a solid body of opponents' to the British raj.[42] In Maharashtra there was a Samyukta Maharashtra movement which aimed at unification of all Marathi cultural areas into one single province.[43] The Nagpur-Vidarbha region which was in the Central provinces and Berar and the Marathwada region which was in Hyderabad principality, were cut off from the mainstream. The movement thus was for unification of all the Maratha cultural groups into one administrative zone.[44] In Madras the dravidian movement was aimed at unifying not only the Tamils under the anti-brahmin slogan but also the other dravida groups against the hegemony of the casteist Hindi heartland.[45]

Another process that was at work was the nationality formation of groups, which were minorities within the presidencies—e g, Telugus and Malayalis in the Madras presidency; Assamese, Oriyas and Biharis in Bengal presidency; the Gujaratis and Kannadigas in Bombay presidency and so on. The Kannadigas were spread over Bombay Karnataka (i e, Dharwad, Belgaum, Bijapur and north Kanara). They had a number of grievances in Bombay presidency like the dominating Maratha culture, cultural separation, economic deprivation, lack of development and competition from the Marathas in education and employment and above all lack of a political voice.[46] In response to this situation the mobilisation of the Kannadigas began which prompted the formation of the Kannada Ekikaran Sangha (1890). The struggle during 1890-1956 culminated in the formation of the Karnataka state (Mysore then).[47] This was the situation of the Gujarat nationality also. The formation of the Gujarat Sabha (1884) was the starting point of the Maha Gujarat movement. The sabha raised its voice against Maratha domination in Bombay presidency. Subsequently the concept of Gujarati Asmita was developed and a steady move for separation of Gujarat from the Marathas as well as a unification movement of the entire Gujarati speaking people came to the surface.[48] Though K M Munshi who coined the term 'Gujarati Asmita' was against what he termed 'linguism',[49] the separation of Gujarat from Bombay was inevitable. The Telugu speaking people of Madras presidency felt that they were being discriminated against and neglected by the Tamil majority. The articulation of the need for unification of the Telugus and separation from the Tamils commenced in 1903 when the Yuva Jana Samiti was founded. In December 1911 the idea of the separate state was circulated and it took the form of a movement from 1913 through the efforts of the Andhra Mahasabha.[50]

In Bihar, the demand for a separate state had initially centred round the issue of the preponderance of Bengalis in jobs and education.[51] The Assamese[52] and the Oriyas[53] also complained of the imposition of Bengali socio-cultural domination and Bengali attempts to manipulate their lin-

guistic cultural identities. The attempts to resist their absorption into the Bengali nationality was the starting point of the separate state movements. In Assam the demand for a separate state was redundant as it was severed from Bengal and constituted into a chief commissionarate in 1874 by the colonial administration itself.

Again, there were groups which belonged to a particular nationality but were either cut off from it or administrative organisation compelled them to live amongst a different cultural group—the Marathas in Vidarbha-Nagpur and Marathwada region,[54] the Gujaratis of the Saurashtra-Kutch region,[55] the Bengalis of Sylhet and Cachar in Assam,[56] the Hindi-speaking population of Jabalpur in Central 'provinces.[57] These isolated groups launched movements for unification with their kinfolk both during the pre-independence and post-independence period.

In the wake of the imminent withdrawal of the British there occurred some very significant movements which led to the integration of some states to the Indian union: The Punnapra-Vayalar rebellion in the present Kerala, the Telengana uprising in the Nizam state of Hyderabad, Iravat Singh's movement in Manipur and the Anti-Chief Movement of the Mizos in Mizoram.

The non-Malayali citizens of south-Travancore were disgusted with the tyrannical rule of the Malayali king of Travancore and directed their anger against the Malayali community itself. On the basis of this situation the ambitious dewan of this princely state manoeuvred an independent Travancore and Cochin movement and declared its intention (June 1947) of not joining the Indian Union. It came out with an American model of constitution for these independent states. The communist workers who had built a very powerful base among the coir factory workers, fishermen, toddy-tappers and agricultural labourers employed by the jenmi landlords, launched a massive campaign against this conspiracy. Police repression was followed by the rebels undergoing military training for self-defence. There was a violent confrontation between the state and the rebels in Punnapra and Vayalar where at least 800 people were massacred by the police.

Around the same time there was a Kerala unification (Akhila Kerala) movement also in operation. It worked for a united multilingual Kerala state. The king of Cochin state supported the movement and the Kerala Pradesh Congress Committee, Travancore State Congress and the Cochin Praja Mandalam together worked for unification. The brutal suppression of the Punnapra-Vayalar movement aroused sympathy and attracted mass support for the Kerala unification movement and its integration with the Indian union. Even though the royal family tried to back out and retain its independence, the Punnapra-Vayalar movement prevented a possible separation and simplified the merger of Travancore-Cochin with the Indian union.[58]

July 1946 to October 1951 saw the rise of another massive communist-led peasant movement in the Telengana region of the Hyderabad state, where a small Urdu speaking Muslim elite maintained its 'religio-linguistic domination' over the majority of the Telugu, Maratha and Kannada linguistic groups. There was a total absence of political and civil liberties and the grossest form of feudal exploitation was practised by the Muslim and high caste Hindu deshmukh landlords and jagirdars who extorted vetti (forced labour) and maintained attached labourers through debt-bondage. While the ambitious nizam was conspiring to set up an independent state and opt out of the Indian union, the peasants rose in revolt. The bloody guerilla warfare of the peasants against the ruthless razakar army of the nizam stretched over a long period of time and the communists succeeded in establishing isolated independent zones in the Telengana countryside. This anti-nizam movement brought about the collapse of the autocratic feudal regime of India's biggest princely state with the entry of the Indian army and paved the way for the integration of Hyderabad with Indian union as well as the formation of Andhra Pradesh on the basis of linguistic principle.[59] The highlight of the movement was not just the massive peasant uprising and its bid to overthrow the feudal regime of the nizams but also the integration of Hyderabad with India. In fact, the movement weakened once the communists added the slogan of overthrowing the newly independent Indian government which had less mass appeal than the slogan of overthrowing the nizam.[60]

Similarly discontented with the tyranny of the king, the people of Manipur under Irawat Singh led a Telengana-like revolt which alarmed the moderate section of the Manipuri leadership belonging to the provincial Congress, and they initiated a process which hastened the accession of Manipur into India.[61] The decision not to join the Indian union in Mizoram was similarly reversed and the popular movement supporting the merger started when it was circulated that joining India meant the abolishment of Mizo chieftainship and an end to the exploitation and oppression of the peasant community by the chiefs.[62]

Another type of autonomy movement was seen in the Chattisgarh and Jharkhand region both of which were overwhelmingly tribal and rich in forest and mineral resources. Consequently it attracted the perpetual encroachment by exploitative and oppressive elements, both British and Indian. There was not only a drain of wealth from these regions, the penetration of outsiders also destroyed the exclusivity of the region and its people, upset the socio-economic balance and thoroughly impoverished the tribals through colonial and feudal institutions. The consciousness and struggle of the tribals in these regions dates back to the 18th century.[63] Some of these struggles were the Rajas' uprising of Dalbaum (1769-74); the Chaur uprising of Midnapur (1779); the Bhumij Chaur of Manbhum, Chhotanagpur and Santhal Parganas (1795-1800); Tanar revolt of 1820; the Kol, Ho, and Munda uprising of Chhotanagpur (1831-32); the Santhal uprising of Bihar (1855-86); the Bhakta uprising and Rai movements (1857); the Sardari or Mulki Larai (1857); Kharwar movement (1871); the Birsa uprising (1895-1900); the Bhagat movement (1902); and the Kol insurrection (1931-32). These uprisings represented a sort of 'class war' against relative deprivation.[64] The tribals in these movements attempted to throw out the exploitative 'diku's (encroachers) be it the British or Indians. In the Tana Bhagat movement (1915) there was an attempt to establish a millennial area of Oraon rule and liberate it from foreign settlers. Subsequently Jaipal Singh, a Munda-Christian organised the All India Adivasi Mahasabha (1930) which resisted British domination and non-tribal encroachment in tribal lands. During the 1940s various reform movements were launched to raise the consciousness of the tribals and work for their socio-economic upliftment. The phase between 1947-54 was marked by the emergence of the Jharkhand Party which regarded the formation of a separate state as the only way to safeguard the interests of the tribals. It is important that despite the multiplicity of language and culture, the tribals of the Jharkhand area were united to fight against exploitation and assert themselves. But the 1955-63 period saw the rejection of the demand of a Jharkhand state comprising districts of West Bengal, Orissa, Bihar as well as Madhya Pradesh by the Indian state and the subsequent merger of the party with the Congress (1963). The 1964-69 phase witnessed the weakening of the Jharkhand movement due to factionalism and cleavages within the movement. Following this there was renewed effort to foster inter-tribal and inter-regional solidarity to reinforce the movement.[65]

The Chattisgarh tribals saw a similar solution to exploitation and encroachment by non-tribals but organised effort for a separate state is still lacking.[66]

The State versus Nationality Movements

The commitment to the principle of linguistic provinces was reiterated by the Congress on two more occasions before independence—in the Calcutta session of 1937 and in the election manifesto of 1945-46 wherein it promised linguistic reorganisation of Indian states if it came to power. But the reality of 1947 was very different. Independence ushered in high hopes for groups demanding the formation of their respective linguistic states. In view of the

various resolutions adopted by the Congress over the years prior to independence and especially the promises made in the 1945-46 election manifesto they could now place their demands with some vehemence. The Congress on the other hand was not in much hurry to take up the issue. Overwhelmed by the unforeseen problems and difficulties independence brought in its wake and also because of the complications involved in the reorganisation of linguistic states the Congress was more than willing to stall the issue. Moreover, integration of the Indian states had to precede reorganisation.

Although the first phase of the process of the country's integration was accomplished with the accession of princely states during 1948-49, still the federal system of India comprised units like A, B and C categories of states. The Congress had already recognised that the formation of the so-called composite states consisting of peoples speaking different languages had been one of the ways adopted by the British to dissipate the force of nationalism. Hence, one of its commitments was the formation of linguistic states when it assumed power. It seemed therefore only natural that once India was free, its internal map would be recast in accordance with the principle of linguistic states. Some members of the constituent assembly even pressed the government to implement this principle even before the introduction of the new constitution. Nehru as prime minister, however, gave the matter 'low priority'[67] No doubt Andhra had a strong case but if their demand was conceded, it was feared that similar demands from other groups would create a critical situation because the question was not just one of conceding provinces but also of alteration of the existing provincial boundaries. This would raise a plethora of claims and counter-claims which would precipitate a minor crisis when the priority ought to be country's security and stability. Under the circumstances, the government was in favour of delaying any decision and the best way to do it was to appoint a committee to examine and report on the feasibility of linguistic provinces. If this committee obtained a large measure of agreement, then one or more specific boundary commissions could be appointed. Accordingly, a commission was set up under Justice Dar's chairmanship. The report of the commission came as a surprise since its recommendations went against the earlier stand adopted by the Congress. The commission was against the formation of linguistic provinces on the basis of administrative considerations. It pointed out that the creation of linguistic provinces would be harmful from the point of view of the development of a national language and national awareness particularly at a time when national unity itself was endangered.[68]

> The formation of provinces exclusively or even mainly on linguistic consideration is not in the larger interest of the Indian nation and should not be taken in hand.[69]

Obviously the Dar Commission had failed to grasp the spirit of the principle of linguistic provinces. It gave primacy to administrative convenience over national and ethnic aspirations. Demands for separate states were taken to be a threat to national unity and integration. As expected, the report created discontent among Congressmen who were from the non-Hindi speaking areas. They petitioned the Congress working committee to reconsider the issue. The issue could not be shelved as discontent gathered momentum.

At the behest of Nehru, the Congress formed a committee in late 1948 with Nehru himself, Sardar Patel and the Congress president, P Sitaramayya as members, known as the JVP committee It submitted its report in 1949 wherein it said.

> We should prefer to postpone the formation of new provinces for a few years so that we might concentrate during this period on other matters of vital importance and not allow ourselves to be distracted by the question [70]

The need for postponement also seemed desirable because the fate of the Indian principalities had not been decided till then and without that the formation of linguistic provinces seemed impossible. However, it also proposed that some steps could be taken in individual cases—like that of Andhra—if there was agreement between the concerned parties. Accepting the report, the Constituent Assembly in Article 3 of the Constitution, provided for the creation of such provinces in future. But by admitting the legitimacy of the Andhra demand the report plunged the entire issue in confusion and ambivalence . The Congress still resisted the actual reorganisation. On December. 21, 1949, the Congress working committee in a resolution on Karnataka stated,

> Further in view of the vital change in the states of India and the inauguration of the constitution within less than five weeks from now, it is outside the range of feasibility or propriety to consider a constitutional change of this magnitude at this stage [71]

With the adverse reports of the commissions, the Constituent Assembly refused to make any proposal regarding linguistic states. It listed 14 national languages in the eighth schedule, but refrained from any mention of linguistic reorganisation of states.

Later, however, under tremendous pressure of popular demand, mass discontent and rebellion of Congressmen at the provincial level, the government was compelled to announce the establishment of Andhra province (1953). The decision to create an Andhra province logically encouraged similar demands throughout the country so much so that it seemed, "we are on the verge of a civil war".[72] It also seemed that "we have disturbed a hornets' nest and I believe most of us are likely to be badly stung".[73] The creation of Andhra Pradesh did not calm the unrest as its constituents were the Telugus and Telenganas. On the one hand there was a move to unify all the Telugus in one political unit called 'Vishal-Andhra' and on the other, the Telengana region wanted to separate from Andhra and form a different state of their own. The Telengana region complained deprivation at the hands of the dominant Telugus. There were widespread disturbance over the issue all through the 1960s and early 1970s.[74] Under the circumstances the government was forced to announce the appointment of yet another commission to draft recommendations on not just the problem of linguistic provinces but also on the redistribution of provincial areas on the basis of all relevant considerations. The commission known as the State Reorganisation Commission consisting of Syed Fazl Ali, H N Kunzru and K M Panikkar did a great deal of work, examined documents, memoranda, etc, and interviewed about 9,000 persons. The report published in 1955 recommended the establishment of Kerala and Karnataka as separate provinces on linguistic grounds and the wishes of the people but said that Bombay would continue to remain a bilingual area consisting of the Marathi and Gujarati speaking people. The Marathi speaking areas of Hyderabad were to be transferred to Bombay but certain other Marathi speaking areas were to be taken away to form a separate Vidarbha state. The Telugu speaking districts of Hyderabad were also not to be transferred to Andhra until 1961. The apprehensions of the Dar Commission and JVP Committee had faded by the time the State Reorganisation Bill was introduced in parliament by the then home minister Gobind Ballabh Pant. The home minister's speech of course and the long deliberations on the bill showed no trace of any second thoughts about the linguistic principle behind the reorganisation.[75]

Parliament passed the act on the reorganisation of states on the basis of the SRC's report. The process of territory and language delimitation, however, continued even after the reforms of 1956.

The unrest, however, did not die out The chief centres of trouble now were Punjab, where the Sikhs wanted a Punjabi speaking state of their own, and Bombay where the Marathis and Gujaratis wanted separate states for themselves instead of being clubbed into a single province. In May 1960, Bombay was divided into Maharashtra and Gujarat state. The Akali movement emerged on the Punjab scene as a gurudwara reform movement to liberate gurudwaras from exploitative clutches of the 'mahantos'. Initially, it developed a strong anti-imperialist and even a proletarian character. But when the leadership went to the feudal and the feudal-turned-capitalist elements the character of the party also underwent a significant change. This change was responsible for the diversion of the Punjabi state movement into communal channels. Such diversion was conspicuous because at this point of time there were many such separate state movements which revolved more or less around language.

After partition which the Congress-Akali coalition in Punjab weakened and Master Tara Singh raised the demand for a Sikh homeland, the Hindus feared another partition on communal basis and began to renounce the Punjabi language. They claimed that Punjabi was a bilingual area where Sikh Punjabis spoke Punjabi where as the Hindu Punjabis spoke Hindi. These claims led to communal polarisation which was fuelled by respective communal organisations. The report of the state reorganisation committee which rejected Punjab's reorganisation on linguistic basis kept the communal divide alive.

The Akali-Congress Agreement of 1956 to divide Punjab into Punjabi and Hindi speaking areas eased the situation to some extent. But the compromise did not last long as Akali leaders resented Congress hegemony and contrary to its promise took part in politics. This eventually led to a split in the Akali Party which lost control of the Siromani Gurudwara Prabhandhak Committee (1958). But it bounced back to power in the gurudwara election of 1960 and enthused by the victory Master Tara Singh immediately launched a morcha for Punjabi Sooba, giving it a communal colour. The Hindus countered it by recording Hindi as their mother tongue again in the 1961 Census.

During all these years the Congress did not take a consistent democratic stand on the issue. In contrast the Communist Party launched a counter-campaign against the communalisation of the linguistic reorganisation of Punjab. The party also detected that the Haryana region of the state was neglected and remained backward while the Punjabi speaking areas developed. Accordingly, it organised the people of the Haryana region to demand a separate state for themselves.

Sant Fateh Singh who succeeded Tara Singh realised that the Punjabi Sooba agitation could not succeed if it ran on communal lines. He came out with a new platform and declared that his demand for a Punjabi state was for all Punjabis—irrespective of their religious affiliations. Under pressure of the agitation the government was forced to announce the appointment of the S Hukum Singh Committee to look into the matter. In the wake of the Indo-Pak war of 1965 in which Punjab as a border state was affected and the simultaneous pressure from the agitation launched by Sant Fateh Singh the government was compelled to appoint the Shah Commission to inquire into the reorganisation of the state. Accordingly, the government agreed to reorganise the state on the basis of the Census of 1961. There was some controversy over the acceptance of the 1961 Census Report as it was known that the report was distorted. However, on the insistence of the government the state of Punjab was reorganised into Punjab and Haryana by an act adopted in parliament (1966). But it left many vital issues like distribution of river water unresolved resulting in further complexities later.

The course of nationality formation in Punjab was very important. Like the Muslim question Punjabi nationality question had a religious dimension but the language question was also seriously involved in it.[76] Comprising Hindus, Muslims and Sikhs the Punjab region was also the hotbed of successive green revolutions. The complex class formation process initiated by colonialism went through further transformation with the green revolution. It was also complicated by the question of hegemony and organised political mobilisation. Punjabi speaking followers of the Sikh religion comprising only about 13 per cent of the Punjabi population (as against 55 per cent Muslims and 30 per cent Hindus) in pre-independence India, struggled to emerge from a sect to 'a people' who lately claimed separate nationhood. The Punjabi Sooba movement was not just a question of linguistic problems. It successfully masked their agitation for an essentially religious identity too.[77] The Punjabi Hindu attitude to identify themselves to Hindi language further communalised the issue. The Urdu movement in Uttar Pradesh had marred overall Hindu-Muslim relationship.[78] The Maithili movement in north Bihar did not have any religious cleavage.[79] But it failed to unify the Biharis as Maithili was just one of the media alongwith Bhojpuri, Avadhi and so on, that the Biharis spoke and with the resurgence of Hindi, these languages have been reduced to the status of dialects spoken at home. But the Bihari nationality formation process was inextricably linked to Uttar Pradesh and the Hindi speaking regions of Madhya Pradesh.

The process of carving out new states did not stop there. On January 26, 1950, the north-east consisted of the state of Assam and the union territories of Manipur and Tripura. The entire region consisted of about two hundred and seventeen scheduled tribe groups besides the plainspeople. The number of language groups inhabiting the region can be imagined from this. In view of the secessionist demand from some Naga quarters countered by a demand for a separate state from some other quarters, a state of Nagaland comprising most of the Naga areas of the region was carved out in 1963. In the rest of the areas the Assamese language groups retained their hegemony which was slowly begun to be challenged by the emerging middle classes of different tribal groups. It was fuelled by the consistent neglect of the non-Assamese regions of the state in terms of development and the attempts at forcible Assamesisation. The language policy of the Assam government (1960) was the final straw. The hill people resented imposition of the Assamese language and launched agitations for separate states. As a result, the states of Meghalaya, Mizoram and Arunachal Pradesh, Tripura, Manipur were created in 1971-72—some as union territories, some full-fledged states. However, by the mid-1980s all the areas were granted full-fledged statehood. In spite of the difficulties involved the principle of linguistic provinces was followed to a large extent in the creation of these states.

The tribal states movements of north-east India were a reaction to the chauvinistic efforts of the Assamese to Assamesise the tribal group, besides being a response to the encroachment by outsiders into the tribal area.[80] This is true of all states of the region except Nagaland which, visualised its prospective marginalisation in the overall polity of India and put forward separatist claims. Tripura was an ex-princely state, subsequently accorded the status of the chief commissionarate and then statehood to promote the upliftment of the tribals.

Nehru and Reorganisation of Provinces

As seen above, the period immediately following independence saw the climax of various separate state movements. Since Jawaharlal Nehru was at the helm of affairs he became the centre of attention in this turmoil. He was looked up to for his socialistic leanings and pragmatism on the one hand and severely criticised on the other by his own partymen for his delaying tactics and apparent opposition to the creation of linguistic provinces. He was attacked for going back on his party's earlier commitment to the creation of linguistic states. His stance was found to be ambivalent, compromising and disrespectful of people's wishes.

But to Nehru, *first things must come first* and for a nation that had just come out of colonial rule, suffered the trauma of partition and was still unconsolidated, 'the first thing is the security and stability of the country'.[81] A strong India had to be built before its component parts could be considered. But the agitating groups were not willing to wait; they felt that Nehru was going back on his promises and principles.

Nehru always wanted a democratic solution to the nationalities question in India. He was one of the constituent members of the Motilal Nehru Committee which for the first time had recognised and prescribed the principle of linguistic provinces for India. He obviously had a hand in the drafting of the Congress election manifesto which reiterated the party's commitment to form linguistic provinces. But Nehru wanted time.[82] The country was facing extreme crises and there were innumerable more urgent issues awaiting government's attention Nehru was sympathetic to the Andhra cause, but he knew that if a start was made in this direction there would be a plethora of similar demands. Hence he wanted to delay any decision by appointing commissions. When the Dar Commission Report instead of cooling down the temper of the people, aggravated the situation further, Nehru installed himself in the JVP Committee and drafted its report himself which recommended postponement of the creation

of linguistic provinces for ten years. It is evident that this is exactly what Nehru wanted—that the next ten years should be used for strengthening and stabilising the nascent Indian nation subsequent to which these issues could be taken up. To him during this period the economic problems should take precedence. The matter of linguistic provinces was 'trivial' nor was the time ripe yet for its implementation. But Nehru's personal involvement in the JVP Committee did not help the situation. Pressures from his own partymen from different provincial units had become acute. The granting of statehood to Andhra as anticipated, worsened the situation. Expectations ran high. The case of Andhra was taken as a hopeful precedent by other language groups clamouring for statehood. The timing of such movements and the violence unleashed upset Nehru. He found the hurry and the inconsiderateness shown, a little too parochial.

On principle, Nehru did not find these demands objectionable. In fact, "a linguistic mosaic might well provide a further base for national unity". But what he found difficult to come to terms with was the "feeling on the part of the people who make the demand that they did not (so far) have a square deal; that if they are left alone to manage their affairs, they would see that they got it".[83]

He pleaded with people to be logical in their approach and not get excited. During the debate on the Report of the State Reorganisation Commission, he said:

> I recognise that the language of the people is a vital matter for their development, whether it is education, administration or any other matter. But there is a distinction between developing the language to the fullest extent and this passion for building up a wall around a linguistic area and calling it a border. I completely accept the statement that people cannot really grow except through their language but it does not follow that in order to make them and their language grow, a barrier must be erected between them and others.[84]

While he appreciated the importance of a language in a community, he was not wholly committed to the creation of monolingual provinces.[85] This was a clear denial of his party's age old commitment and involved shifting his own position. On another occasion also there was a dichotomy in Nehru. When pressed he agreed to take up the cause of Andhra and Karnataka but refused any alteration in the provincial boundaries and was emphatic that the Congress was not committed to such alterations.[86] It is surprising that Nehru treated the creation of separate states and alteration of provincial boundaries as separate issues. It suggests that Nehru was angry at the growing passion for separate states. He wanted "Healthy nationalism... to counter these foolish and tribal attitudes as also provincialism".[87] Asserting that India was an integral entity, he claimed that provinces were created only with 'administrative objectives'.[88] Of course the nature of the problem was such that Nehru was 'not to be seen at his best'.[89] In fact, now Nehru started finding virtues in composite states created by the British. The example of Hyderabad where people spoke different languages as diverse as Telugu and Hindi appealed to Nehru as potential centres of composite culture in south India while Bombay had developed as a cosmopolitan centre which would be 'vandalistic to throw away'.[90] As a matter of fact, by 1955, Nehru was thinking of creating large composite city-states out of Bombay, consisting of the Gujarati and the Marathi speaking areas including Vidarbha. This he felt would be the ideal way of having larger as well as fewer states. He even went to the extent of persuading the chief ministers of Bengal and Bihar to agree to merge with each other to form one state,[91] while Madras agreed to include Travancore and Cochin. There was even talk of a larger Dakshina Pradesh consisting of all the Tamil, Kannada, and Malayalam speaking areas. But all these ideas proved short-lived in view of persistent agitations and angry demonstrations leading to riots which spread specially in the Bombay presidency and Punjab. Disgusted and bitter, Nehru said in the Lok Sabha in 1960:

> We live in a closed society—not one closed society, but numerous closed societies. There is a Bengali closed society, a Marathi closed society, a Malayali closed society and so on.[92]

Indian Bourgeoisie and Linguistic Provinces

The opposition to the demand for linguistic provinces came from another quarter—the Indian bourgeoisie. In the wake of the demand for creation of a Samyukta Maharashtra, the Indian capitalist class struggling to consolidate itself after independence, became vociferous in opposing the theory of linguistic provinces. The Indian Merchants Chamber, comprising leading industrialists and businessmen, adopted violent opposition to the theory and its application for creating a unified Maharashtra. They had panicked at the prospect of Bombay—the industrial city being transferred to the unified Marathi-dominated Maharashtra which could jeopardise their investments as most of these industrialists were Gujaratis, Marwaris, Parsis and so on, i e, non-Marathis. This organisation of Indian capitalists manoeuvred a committee of 69 prominent citizens to give evidence before the Dar Commission. In a meeting (August 26, 1948) a resolution moved by Ramdas Kilachand and seconded by S A Brelvi urged the Constituent Assembly and the government of India to postpone the consideration to the demand for linguistic provinces for some more years.[93] Another resolution moved by A D Shroff and seconded by Vakil demanded that a separate state be created for Bombay, in case the government was considering the creation of linguistic provinces[94] for Maharashtra and Gujarat. The convenors of the meeting claimed to be spokesman of the citizens of Bombay but it turned out that they represented interests of a small and powerful group. Invitations were sent "only to a few panicky capitalists, mainly, Gujaratis, Marwaris and elements alien to Bombay, who were known to be against the incorporation of Bombay in its natural environment—Maharashtra".[95] With the prospect of Bombay being transferred to Maharashtra some leaders of the Gujarati state movement, which was simultaneously going on in the Gujarati speaking region of the presidency, Saurashtra and Kutch, backed out and opposed the formation of provinces on linguistic basis. K M Munshi, who coined the term Gujarati 'Ashmita' (identity) as well as the phrase 'Maha-Gujarat' (Greater Gujarat) has presided over the 1948 convention of Maha Gujarat Sammelan which unanimously expressed the sentiment for the unification of all the Gujarati speaking people and resolved to struggle to achieve a unilingual Gujarati province.[96] But in 1952 during his tenure as the governor of UP, he urged the Gujaratis to oppose the movement for a Gujarati state expressing a sentiment which was expressed by the Gujarati industrialists of Bombay.[97] It is well known that K M Munshi was the lawyer of the industrialists of Bombay and he was merely a spokesman of the latter. It is interesting, though understandable, that the man who was hailed as the father of 'Gujarati nationalism' criticised the movements for creation of states on linguistic basis as 'linguism' and prophesied that such 'linguism' could spell doom for the nation.[98] Another eminent Gujarati who had opposed the Gujarati state movement and was labelled as a part of the capitalist lobby was Morarji Desai. However the regional bourgeoisie of Gujarat probably found the prospect of a Gujarati state with Ahmedabad as its prospective capital a lucrative idea as it would give them an open, new area to operate and without competition from its stronger counterpart settled in Bombay. The Ahmedabad Chamber of Commerce lent its support to the movement and agreed to bear the financial expenses of the movement (1956). A strong faction of the chamber even boycotted the ceremony (August 8, 1956) organised to welcome Morarji Desai, who had been a vocal opponent to the Maha Gujarat movement.[99]

All through the 1950s the Indian bourgeoisie continued to be hostile to the movement for separate states on linguistic basis. Interestingly even after the consolidation of its hold over Indian economy and polity, the Indian capitalists perpetuated its tirade against the movements. In 1969, the president of Federation of Indian Chamber of Commerce and Industries, Kirloskar while moving a resolution on national integration and the business community remarked that the two most serious and administrative blunders committed by the Indian state were: first,

the adoption of a federal constitution and secondly, reorganising the federating units in linguistic states.[100] According to him the ugliest form of provincialism has emerged in India due to the idea of linguistic states.[101] Interestingly the assembly also found that victory of CPI(M) in 1967 and again in 1969 mid-term poll a dangerous turn towards regionalism which represented an alarming trend.[102] The involvement of big money in the reorganisation of Bombay was apparent when the Congress working committee proposed an independent status for the city of Bombay. Similarly Tata House persuaded the government of West Bengal to surrender to Bihar about 600 square miles of territory in the districts of Purnea and Santhal Pargana containing the coal reserves and the water works of the Tata Iron and Steel Company.[103]

In other words the struggles of different nationalities for self-rule and development were constantly attempted to be thwarted by the big bourgeoisie and its allies holding the state power in India. It also exposed the weakness of the ruling class and its strong alliance with the big bourgeoisie.[104] Even as democratic a demand as the linguistic state had to be wrested only after a protracted and bloody struggle.[105]

The opposition of the big bourgeoisie of India to the linguistic principle of state creation was understandably based on the following premises. One, big bourgeoisie was fundamentally opposed to the concept of federalism. A centralised state remains a prime necessity for its unhindered growth and development.[106]

Two, the big bourgeoisie being the leading partner in the class alliance that ruled India and increasing its control and operating through the centre and its decision-making organ—the cabinet, is extremely reluctant to concede greater power to the states in any meaningful way.[107] More linguistic states means sharing power with one more set of regional bourgeoisie. State movements also often are followed by a demand for more autonomy which the big bourgeoisie resent.

Third, linguistic provinces means encouragement to the development to local language, culture and so on But theoretically, the big bourgeoisie prefers homogenisation of the market, development of a single language as the all-India market lingua franca (Hindi in this case) essential precondition for the furtherance of the cause of capitalism and the implication of the linguistic states are antithetical to both. Hence, there has been this trust on a massive middle classification of the entire country, an ever increasing English educated and Hindi speaking middle class which despite its heterogeneity are similar in dress, tastes, habits and outlook and so on. Javed Alam felt that the 'pan-Indian' big bourgeoisie in India, unlike in Europe, did not need to champion any particular language and hence the Stalinist formulation that the bourgeoisie promotes regionalist, linguistic state movements is false as far as the Indian situation is concerned. Here the role of the regional/local bourgeoisie who are to be distinguished from the big bourgeoisie becomes important. The local investors, unfit to compete with the big bourgeoisie, want to eke out their own field of operation in the form of linguistic states where they could use their potential coverage to reduce the impact of big money. Apart from Gujarat, Maharashtra is in fact a good example of the rise of local entrepreneur (particularly in the sugar industry).[109] There were also an increasing number of job-seekers from the lower middle classes without proficiency in English, thronging the gates of public and private offices. The creation of new states and elaboration of their apparatus creates new opportunities for the local job seekers, politicians and investors. For these job seekers adoption of Hindi for official purposes would expose them to unequal competition against those whose mother tongue is Hindi. In other words the functional logic behind the support or opposition to state autonomy movements was simple. Big operators wanted big areas of operation, small operators small ones. Big business and big industry would like to function unhindered by the political constraints of linguistic states while smaller business and industry wanted the protection of their state. Similarly, the most educated professionals wanted an all-India opening for jobs and occupations while the less-educated, less-resourceful middle class hoped for safer berths in their own states created on linguistic principle where they constituted the dominant majority.[110]

Hindi Sub-Nationalism

The making of the Indian nation was not complete yet in 1947. India had merely got rid of the foreign power and started working on the task of channelising the pan-Indian sentiment towards the making of the nation override the regionalist sentiments. As a mark of the beginning of the decolonisation process and providing India with its own unique identification, the concept of national language was ushered in. Hindi was chosen as the only potential national languages in India but its implementation gave rise to acrimonious debate and political turmoil. It is ironical that though the overall purpose of the introduction of Hindi as the national language of India in place of English was to consolidate the decolonisation process and integrate different diverse regions of the country it threatened to disintegrate the nation even before people could reconcile with the fact of the last partition.

Hindi for Hindusthan?

The most prominent language controversy in colonial India was the Hindi versus Urdu and Devnagari versus Persian-Arabic script issue. Hindi was identified with Hindu and Urdu with the Muslims. However partition however there was no question any longe of making any significant concession to the Muslims on the language front. The question that dominated the proceedings was whether and how long English should continue to be retained as the official language. It was also a matter of anxiety as to what should be the lingua franca of the diverse linguistic groups of India.

English was agreeably India's 'window to the world' and its retention for official purposes had practical as well as emotional implications. The practical questions concerned international communication and dissemination of ideas of modern science and technology for which none of the Indian vernacular languages was yet fit, either in vocabulary or in the availability of translated texts. At the same time there was emotional antipathy towards the use of the former master's language. Retention of English language was considered to be an impediment to the unhindered process of decolonisation. But it was understood that as far as English was concerned, it had to be given some more time till the transition to an Indian language took place. But the major debate was: which of the major languages of India could be adopted as the official language. Poet Tagore was clearly in favour of Bengali before he died. Hindi was emerging as a medium of communication during the anti-colonial upsurge. Congress leaders addressed mass rallies in Hindi. Subhas Bose used Hindi in his INA movement. But most important the identification of Hindi with Hindus was vigorously reinforced after partition. There was a tacit attempt to project Hindi as the language of this part of partitioned India where Hindus were now an overwhelming majority. The 'Hindi for Hindusthan' slogan was used to back up the introduction of Hindi as a national language. The association of Hinduism with Hindi was clearly evident when Hindi was chosen over Hindusthani, which was a mixture of Hindi and Urdu, as the national language of India. When Hindi was officially proposed as a national language the arguments made were:

(a) It had the largest number of speakers and had intensive spread in northern India;

(b) Being a Sanskrit-based language it could qualify more than any other language, as the lingua franca;

(c) The language did not belong to any particular province of India. The proponents rejected other languages as their speakers were confined to provincial boundaries only. Hindi was also projected as a 'link' language—both real and potential.

The centre's soft attitude towards Hindi unleashed an acrimonious debate leading to violent protest all over the country except the Hindi speaking zones. It seemed the forces of disintegration were unchained even before the country could consolidate its new found freedom.

THE HINDI LOBBY

In the initial period, the modern Indian political scene was dominated by the Bengalee. Both British as well as other Indians feared that if the British withdrew from India power would be transferred to the Bengalees. In fact it was also apprehended that the introduction of representative institutions or competitive job market would mean the dominance of the 'advanced' Bengalees. But the preponderance of the Bengalee elements in the central leadership in the nationalist politics witnessed a consistent decline from the 1920s. By the 1940s the modern Indian leadership came to be dominated totally by the representatives of Hindi speaking zones who were the proponents of Hindi language. United Province, Bihar and Central Province were the largest provinces of India. Added to it were the supporters of Hindi language from Punjab (Punjabi Hindus), the present Haryana and Himachal Pradesh who were otherwise bilingual. By sheer weight of numbers the representatives of these areas in the central legislature were so preponderant that together they could easily make or break any proposed policy. The support to Hindi as the national language came from this lobby which was otherwise a heterogeneous group. In fact their heterogeneity actually strengthened the claim of Hindi.

The resurgence of Hindi was not only a part of the Hindu resurgence in post-partition India, it also was a manifestation of the process of subnationalistic upsurge. Post-independence India witnessed an upsurge of subnationalism on the basis of regional identity. There was a commensurate mushrooming of regional political parties based on regional identity and aspirations. While in the rest of India there was vigorous ethnic and nationality formation process, on the basis of regional/local identity the reverse was happening in the so-called 'Hindi Heartland' which comprised roughly the area under the province of Bihar, Uttar Pradesh and Madhya Pradesh excluding the tribal zones. In these areas, the nationality formation process among the Maithili, Bhojpuri, Avadhi, etc, speaking people took a reverse turn with the standardisation of Hindi language. Instead of separate nationalities emerging on the basis of Maithili, Bhojpuri and Avadhi cultural groups, they emerged as one broad group (not a nationality) for whom Hindi became the symbol of identification as well as unification. Although there was no culturally distinct Hindi group, Sanskritisation, the brahminical ideology and its caste system became the integrative symbols of this group. Support for Hindi from this group was an aggressive reaction to the subnationalist currents that had surfaced so strongly all over post-independence India. This is not to say that these groups were more pan-Indian than subnationalistic forces or were more concerned about the integration of the new nation. It reflected merely the subnationalistic cultural and political aspirations of this dominant group. Their hostility to Urdu, the Hindiisation of the tribals living in those provinces and the antipathy towards the cultural and political aspirations of other minor constituents of the Indian nation reflected the chauvinism and lack of belief in the democratic principles of this group. The association of Hindi with Hindu had its emotional appeal to the wounded psyche of the people who were ravaged by partition. But soon small nationalities and ethnic group began to see through this appeal and its implications. The aggressiveness and the domination shown by the Hindi lobby in the introduction of Hindi as the national language made clear who was going to rule India henceforth and how. The sub-nationalistic movement had to strengthen itself in self defence.

HINDI VERSUS NON-HINDI

In the wake of the debate the country got divided into Hindi speaking versus non-Hindi speaking groups. While the proponents of Hindi called for its recognition as the 'national' language of the country, the representatives of the non-Hindi speaking people insisted that their language was equally 'national'; and if Hindi was to be recognised, it could only be as the official language of the union. For internal communication within their own regions, non-Hindi speakers expected to retain the use of their own languages and the right to use English for inter-provincial communication as well as communication with the central government. This controversy also had another material dimension to it. The declaration of Hindi as the national language would mean the dominance of the Hindi speaking aspirants in competition for employment (public services). The non-Hindi speakers insisted on retention of English as the only way to block the elevation of Hindi.

The Constituent Assembly resolved this demand for retention of English for a transitional period by granting Hindi the status of official language of the country, but postponing its implementation for 15 years.[11] In the meantime English would continue to be the official language of the union and of inter-provincial communication, and the major regional languages would continue to be used permanently in their own provinces and would also be recognised as 'national' languages through their incorporation into the eighth schedule of the constitution (also to be used in the UPSC entrance examinations). The constitutional compromise also provide for the establishment of language commissions in 1955 and 1960 to survey the progress of Hindi and also to give 'due regard' to the interests of people from non-Hindi speaking regions with regard to employment in public services, etc. After the interim 15 years parliament would take up the issue again.

The final voting on the compromise amendment revealed the basic lines of division in the country over the matter. On the one side were the most prominent members of the Congress including Nehru himself arguing strongly for Hindi and against the pluralist solution advocated and on the other hand were representatives of southern states as well as states like Gujarat, Bengal and Assam.

Efforts, however, to prepare for the transition to Hindi as the sole official language of the country in 1965 made little progress because of the opposition from regions. Promotion of Hindi in schools had little success except in Maharashtra and Gujarat. A three-language formula was introduced in undergraduate education.

In 1963, two years prior to the scheduled transition to Hindi, the Lok Sabha took up the question of India's official language. Amidst heated debate the proponents of Hindi demanded immediate implementation of the constitutional provision on national language while MPs from Bengal and south India insisted on the retention of English. A compromise was reached and the Official Language Act 1963 was passed under which Hindi was to become the official language of the country in 1965 but English was to continue as an associate additional official language. The act also provided for a parliamentary review committee to reconsider the situation in 10 years with the power to extend the retention of English if Hindi had not made sufficient progress among non-Hindi speaking people. Prime minister Nehru gave his personal assurance to parliament that there would be no attempt to impose Hindi on non-Hindi speaking people.[12]

The ambiguity inherent in the act left an unresolved tension which exploded after the death of Nehru (1964). In 1964, during Gulzarilal Nanda's tenure as home minister (known for his pro-Hindi leaning) a directive was issued from his ministry to all other union ministries, that in conformity with constitutional provisions on official language and the Official Language Act of 1963, they report on the progress made in promoting "the use of Hindi for official purposes and to indicate what steps they proposed to take to use Hindi" after the designated day of transition, i e, January 26, 1965. When news of this directive reached Tamil Nadu, there were massive student demonstrations, riots and self-immolations which continued for several months in late 1964 and early 1965 as a consequence of which, a grand convocation of the Congress Party leadership, union ministers and chief ministers, met in Delhi in June 1965. At the meeting a consensus was reached on removing the remaining ambiguities in the Official Language Act. Under the terms of this compromise, the non-Hindi speaking states were assured that Hindi would never be imposed on them, that English would be retained as an associate additional official language so long as even a single non-Hindi state desired it. In addition, on the material issue of en-

try into the union public services, it was agreed that all the languages listed in the eighth schedule of the Constitution of India, that is all the major languages as well as Hindi and English could be used as the medium of examination.[113]

The compromise of 1965 was introduced formally into the Official Language Act through the Official Language (Amendment) Act 1967. The nature of the resolution of this long-standing controversial issue was basically bilingual. The act provided for the joint use of Hindi and English in parliament, for the use of Hindi as the language of communication between the centre and the Hindi speaking states and the use of English for communication between the centre and non-Hindi speaking states. However, the act and the overall compromise also contained multilingual elements particularly on the matter of the languages of communication for entry into union public services.[114]

As mentioned earlier the main features of these movements which reflected various national and ethnic questions originated during the colonial period and continued in the post-independence period. During the colonial period most of these movements generally did not come into conflict with the national movement nor did it digress from its anti-imperialist character. The Dravida movement for example initially was as much an anti-brahmin movement as it was anti-British.[115] The Akali movement was essentially a peasant movement supported by demobilised soldiers. During the Gurudwara reform movement the Akalis had declared that their ultimate task was to cleanse the bigger Gurudwara (i e, India[116]) of the British. The movement had even acquired a proletarian bias before it was communalised during the Punjabi Sooba movement.[117] The Andhra state movement was in fact led by the provincial Congressites. Both the leaders of the separate Orissa movement, Gopabandhu and Madhusudhan Das clarified that their movement was a part of the Indian national movement.[118] The Karnataka Ekikaran Sangha maintained that the Kannada identity question was not a threat to India's national identity.[119] In Gujarat K M Munshi made it clear that Gujarati ashmita was not antithetical to pan-Indian ashmita.[120] This aspect of regional identity was illuminatingly brought to life by a new group of historians, by studying individual cases.

It is commendable that the Indian National Congress, as a professed representative body of all sections of Indian people, had recognised the relevance of the principle of linguistic provinces and promised to reorganise Indian provinces according to the principle. In a country where capitalism (under the aegis of colonialism) had instilled life in the national and ethnic groups who were at different stages of development, this recognition was the right stimulus. It raised the hopes and aspirations of the national and ethnic groups. But after independence when expectations were high from the national government and linguistic recasting of the country was eagerly awaited the issue was relegated to the background. This dampened the spirit of the national and ethnic groups which was unwelcome for a country that had just emerged from colonial rule and was yet to establish itself as a nation. It weakened the foundation of the federal structure even before it acquired a firm footing. Discontentment, agitations, violence and even contemplation of secession followed. Nehru's favourable interference was eagerly expected as his socialist leanings were well known. But his disapproval for an immediate recasting of India on linguistic lines came as a severe disappointment. The caution advised against such recasting by both the Dar Commission and the JVP Committee was enough for the nationalities to lose hope. At least the former saw some inherent dangers in any such reorganisation of Indian states from the point of view of national integration. It was suspected that the monopoly houses which wanted a single unified country as its market pressurised the government not to concede to linguistic provinces. But the significant point is that, despite these warnings and disavowment of the principle of linguistic provinces, the government was compelled under popular pressure to concede many new states during this period.

Curiously enough, the demand for a separate linguistic state has always been seen as 'secession'—a threat to national integration.[121] The history of the principle of linguistic province in India shows that such suspicion was a new—a post-1947—phenomenon, before which national bodies, like Indian National Congress, themselves had repeatedly accepted the linguistic recasting. The Nehru report had even specified the areas that would need reorganisation. The post-partition milieu gave rise to this phobia which saw every demand for states' reorganisation as an offshoot of partition[122] or another potential partition scheme. Similarly, the reorganisation of states was usually a 'concession' to the democratic urges of the people and not a recognition of the historical development of the concerned nationality as reflected in its consciousness and as articulated in the demand for a separate state. A nationality's final aspiration is to self-rule. Some ethnic groups were compelled to demand separate states because of 'majoritarianism'.[123] Pushed to the wall by the growing accent on 'numbers' and majority rule, and betrayed by the large nationalities such ethnic groups demanded a territory at least where they would at majority. Except for Kashmir, the Nagas and Mizos, initially demanding the right of self-determination, the separate states movements so far were not secessionist. They usually did not challenge the sovereignty of the Indian nation but wanted to remain an integral part of the Indian nation and participate in the development process as a constituent unit. Moreover in a composite state small nationalities and ethnic groups were often neglected by the dominant nationalities in the allocation of resources for development. The argument that was often used against the creation of new states was financial unviability. The Nehru Report of 1928 had categorically stated that if the popular will was in favour of a separate state, financial viability should not be a constraint though normally a state was expected to bear its own maintenance cost. But all regions of the country were not equally endowed and needed to be totally financed by the centre. Under the arrangement, the centre was after all a surplus extracting body whose one principal task was to pool the resources and surplus revenue of the country and distribute it equitably among the various nationality areas so that people of different region develop at an equitable pace. If there was any disparity between states, it would be manifested in the attitude of the people. The edifice of the Indian nation would crumble if a region and its people was to remain backward just because, accidentally, its soil was not rich enough.

One obvious fear was that there would be no end to such demands for separate states. But if the country could have 25 provinces, could it not afford 50 as well, especially if it curtailed political tension, precipitated development and strengthened the integrity of the nation. USSR, for example, had 15 Soviet Socialist Republics, 20 autonomous republics, 10 national areas and eight autonomous regions. Also the US with just 230 million people has 50 provincial units. The Indian federal structure had already shown incredible flexibility to accommodate fresh demands and evolve its own device to smoothen a crisis situation. In some cases it evolved an effective device of granting autonomy through the district councils system (as seen in the Gorkhaland case) which showed the flexibility of the system, which is organic and is capable of overcoming its own obsolete features and confronting situational exigencies. As against this, ethnic and national movements reflected the fear, will and aspirations of the constituent nationalities and ethnic groups. The national language policy of the new government in free India increased the fear and misgivings and at the same time was a blow to the will and aspirations of these constituents. It was feared that Hindi subnationalism was turning chauvinistic and emerging as a dominant force whose designs were 'expansionist' and hence reactionary. The assertive attempts of these subnationalistic forces in retaliation seemed to rock the very foundation of Indian nation for a while and threaten to disintegrate it again. Concessions and grant of self-rule lessened the intensity of the subnationalistic movements since then. But in a country where capitalism is slowly reaching new areas and awakening new cultural groups to life, the stream of subnationalistic uprisings seems to be unending. New demands and aspirations continue to surface some of which are demanding complete in-

lependence not just self-rule.

The Indian nationality question cannot be studied in exclusion of these aspects because the culmination of this process can only prove whether India has been a nation-in-the-making or a nation-in-the-unmaking.

Notes

1 This is the general perspective of the school of historiography categorised as 'nationalist'.
2 For example, A R Desai, *Social Background of Indian Nationalism* (Bombay 1947); R Palme Dutt, *India Today* (London, 1947)
3 Sumit Sarkar, *Swadeshi Movement in Bengal* (New Delhi, 1973), pp 515-16.
4 Gyanendra Pandey, *The Ascendancy of the Congress in Uttar Pradesh: A Study in Imperfect Mobilisation* (Oxford: 1978)
5 Ibid, p 217. An entire school of historiography emerged subsequently which launched a crusade against the elitist historiography and highlighted this aspect of the Indian National Movement See Ranajit Guha (ed), *Subaltern Studies* (Oxford).
6 Partha Sarathi Gupta, 'Imperial Strategy and Transfer of Power 1939-51' in Amit Kumar Gupta (ed), *Myth and Reality: The Struggle for Freedom in India 1945-47* (Manohar, 1987).
7 Sumit Sarkar, *Modern India 1885-1947* (MacMilan 1983), pp 414-46 Also the articles in Amit Kumar Gupta (ed), op cit.
8 Amalendu Guha, 'Indian National Question: A Conceptual Framework' in *Economic and Political Weekly*, special number, July 31, 1982, pp 2-12, 'Great Nationalism, Little Nationalism and Problem of National Integration: A Tentative View' in *Economic and Political Weekly*, Annual, February 1979, pp 455-58, 'Nationalism: Pan-Indian and Regional in Historical Perspective', Presidential Address, Modern India Section, Indian History Congress, 44th Session, Burdwan, 1983; Sudhir Chandra, 'Regional Consciousness in 19th Century India: A Preliminary Note' in *Economic and Political Weekly*, August 17, 1982, pp 1282-86, K Narayana Rao and G Dasaradha, *The Emergence of Andhra Pradesh* (Bombay 1973); Nivedita Mohanti, *Oriya Nationalism* (Manohar, 1982); Sajal Nag, *Roots of Ethnic Conflict: Nationality Question in North-East India* (Manohar, 1990), N Ram, 'Dravida Movement in Pre-Independence Phase' in *Economic and Political Weekly*, February 1979, pp 377-402.
9 Irfan Habib 'Emergence of Nationalities' in TDSS, *Nationality Question in India* (Pune, 1987), pp 17-25; Amalendu Guha, op cit; Sajal Nag, op cit.
10 Amalendu Guha, 'Indian National Question, etc', op cit.
11 Amalendu, Guha, 'Great Nationalism, etc', op cit.
12 Amalendu Guha, 'Nationalism. Pan Indian, etc', op cit; Sudhir Chandra, op cit; Akhtar Majeed (ed), *Regionalism: Developmental Tension in India* (Cosmo, New Delhi, 1984); Paul Wallace (ed), *Region and Nation in India* (Oxford, and IBH, New Delhi, 1985); G Haragopal, 'Dimensions of Regionalism, Nationality, Question in Andhra Pradesh in TDSS', op cit, pp 360-90; M Mishra, *Politics of Regionalism in India* (New Delhi, 1988).
13 K L Sharma, 'Jharkhand Movement: The Questions of Identity and Sub-Nationality' in *Social Action*, Vol 40, No 4, October-December 1990, pp 370-81; Shaibal Gupta, 'Emerging Configuration of the Contradiction between Nationalism and Subnationalism in TDSS', op cit, pp 263-89.
14 Ghanshyam Shah, 'K M Munshi on Gujarat and Indian Nationalism', paper presented in a seminar on 'Nationalism: Problems and Challenges' organised by K M Munshi Centenary Committee and Government of Gujarat, Centre for Social Studies, Surat (henceforth CSS). Surjit Hans 'Punjabi Nationalism' in ibid. Also see articles by Udayan Mishra on the Nagas, V Anai Muthu on the Tamils, Shankar Guha Niyogi on Chhattisgarh,in Andhra Pradesh Radical Students Union's, *Nationality Question in India* (Hyderabad, 1982) Javed Alam called the anti colonial movement for independence in India as a supra-nationality nationalism and the various national movement of the people belonging to different national groups remained subsumed under it, notwithstanding the demand for Pakistan ('Class, Political and National Dimensions of State Autonomy Movements in India' in TDSS, op cit).
15 See Sumit Sarkar, *Modern India*, etc, op cit, for example.
16 E M S Namboodripad, *The National Question in Kerala* (Bombay, 1952), p 57, *Nehru Report. An Anti-Separatist Manifesto being the Report of the Committee Appointed by the All Party Conference, 1928* (Delhi, 1928, reprint 1978), p 61.
17 Karat Prakash, *Language and Nationality Politics* (Orient Longman, 1973)
18 Anil Seal, *Emergence of Indian Nationalism Competition and Collaboration in the 19th Century* (Cambridge, 1968), pp 345-46. In our discussion, advanced nationality refers to a group of people who not only share common language, culture, mental make-up and consciousness but also had a headstart as far as nationality formation was concerned. They are generally large in number too, e g, Bengalis, Tamils, Marathas. As against this the backward nationalities are those who have similar traits but a late-starter due to weak ethnicity, adverse socio-political environment.
19 B I Kluyev, *National and Language Problem in India* (New Delhi, 1980), p 111.
20 This was true of almost every developing nationalities in India.
21 The case of the Assamese and the Oriyas for example.
22 The case of the Telugus, Gujaratis, Kannadigas, Assamese, Oriyas, Haryanvis, and so on. All the nationalities mentioned subsequently launched movements for separate states as a federal unit of the Indian Union.
23 The case of the Bengalis of Sylhet and Cachar in Assam, the Marathas in Vidharbha--Nagpur, and Marathwada, the Malayalis of Travancore-Cochin, the Hindi speaking people of Central provinces and the Kannadigas of Bombay--Karnataka, and so on.
24 The Jharkhandi and the Chhattisgarhi movements for separate states for example.
25 N C Roy in Usha Mehta and S P Aiyar (eds), *The Growth of Linguistic States in Indian Feudalism* (Allied, Bombay, 1965), p 215.
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29 Ibid, and K Prakash, op cit, p 32.
30 *Nehru Report*, op cit, p 61.
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34 Ibid, p 69.
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37 Ibid.
38 Sajal Nag, op cit, pp 80-82; Nivedita Mohanty, op cit, pp 19-25.
39 Shaibal Gupta, op cit. Also his 'Non-Development of Bihar: A Case of Retarded Sub-nationalism' in *Economic and Political Weekly*, September 12, 1981, pp 1496-1502. Also V C P Chaudhary, *The Creation of Modern Bihar* (Patna, 1964).
40 See K Narayana Rao and G Dasaradha, op cit; K Raghavendra Rao, 'Development and Articulation of Karnataka' in CSS; E M S Namboodiripad, *National Question in Kerala* (Bombay, 1952)
41 See K Narayana Rao, op cit, Ghanshyam Shah, op cit.
42 Sumit Sarkar, *Swadeshi Movement*, etc, op cit
43 Aruna Mudholkar and Rajendra Vora, 'Regionalism in Maharashtra' in Akhtar Majeed (eds), op cit, pp 89-114.
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45 M Mishra, op cit, pp 26-30.
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50 G Haragopal, op cit.
51 Shaibal Gupta, op cit
52 Sajal Nag, op cit, *passim*.
53 Nivedita Mohanty, op cit, *passim*
54 Aruna Mudhalkar, op cit.
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57 Ibid, p 6.
58 Sumit Sarkar, *Modern India*, etc, op cit, pp 441-42
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Technological Innovations in Agriculture
Policy Options for Social Welfare

S S Kutaula

The concept of social welfare, viewed through income growth rate and welfare weights, after proper assessment, is extremely important for the betterment and material well-being of the society along with the basic objective of reducing income disparities specially when there exists a widening inequal income distribution. For this purpose, a sound policy is needed. A thorough examination to allow income redistribution through social value judgment is necessary for tending the masses towards an egalitarian society along the path of social development.

I
Introduction

EVEN with tremendous pace of technological advancement, the outstanding issues, like reduction in magnitude of poverty, unemployment and income inequality which have direct interdependencies on morphology of income distribution, still appear to be frustratingly circumscribed amidst the planning agenda impinging with the policy horizons of developing economies of the world.

Income distribution analysis which economists study under two major approaches, namely, functional income distribution and size income distribution, signifies the importance of development policies for suitable distribution of income. Functional income distribution is based on a certain set of restrictive assumptions propounded by neo-classicals. The trickling down mechanism, based on the dogma of harmonies of interest and automatic equilibrating adjustment for self-reinforcing economic forces is a dark spot on the face of neo-classical theory of development because it fails to provide a satisfactory explanation when income inequality between 'haves' and 'have-nots' grows persistently.

In the context of agriculture whenever technological innovations take place, 'the manna from heaven' approach that brings higher levels of output, which in turn, generates enormously increasing levels of income, thereby gives a great setback to the doctrinaire principles of neo-classicals in the sense that the self-correcting built-in mechanism loses a good deal of validity, for its inability to explain simultaneous visibility of inter-sectoral disequilibrium in an economy. The drastic failure of neo-classical thesis is so unbelievable that the heterogeneous distributional consequences of factor bias propels inequal income distributions embodied in a new agricultural technology but its improvement *per se* becomes disembodied effectively without theory.

The theory of induced technical and induced institutional change which generates controversial issues of selective mechanisation versus land augmenting or labour saving because of the distortion in price mechanism, biases in factor substitutability and displacement of labour gives rise to the problem of direct and indirect employment effects in the whole economy. In view of such existing critique levelled against neo-classicals, it is less convincing to draw inferential results judiciously while applying the approach of functional income distribution. As such, there are obvious reasons to believe that the approach of size income distribution gains superiority to functioal income distribution especially in third world economies.

II
Rational Approach

A clear picture emerges for implication of suitable policy when planners are able to identify what proportion of income from total income realised by the community of farmers is being received by different categories of farmers. For size income distribution, Lorenz Curve represents actual quantitative relationship between percentage of income recipients and percentage of total income received during a given period. In order to draw conclusions regarding nature of income distribution of a given society, deciles or quintiles under the framework of Lorenz Curve are generally used. The extent to which inequality prevails in society and corrective measures to be taken for equitable distribution of income with the instrumental policy parameters, namely, growth rates and welfare weights of income under the concept of quintile distribution is extremely useful.

However, the aim of social justice cannot be fully met because there are a priori reasons to believe that the richest take away major chunk of income while the poorest are left with a negligible share. Inherently, this is a grim reminder of the fact that socio-economic justice cannot be provided if the richest manifest increasingly higher growth rates whereas the poorest are not able to exhibit any significant growth rate of income. At this juncture, economists suggest alternative policy options and try to achieve goal of social justice by allowing growth rate of income in a way that treats whole population equally. If the basic goal of society is to uplift the poorest from their poverty and to make them better off, then the welfare weights are assigned only to the poorest with no welfare weights to the richest although they show significant growth of income.

From the point of view of social, political and economic justification, for allowing the improvement in the condition of farmers, the most common basis on which the provision of relief measures are made appears to be farmers' landholding sizes. How far the validity of the farm size is consistent specially when new technologies are introduced in agriculture is a questionable issue. Obviously, the result of income distribution will be misleading and ambiguous unless the analysis is based on the net disposable income of the farmers. Despite the usefulness of net disposable income over gross income, the viewpoint that the gross income gains superiority to farm size for designing a policy not only facilitates economic rationale but also tries to resolve some of the most outstanding issues concerning validity of the inferential results especially when neo-classical tools of analysis are forcibly applied to the farm data which itself is far from perfectly competitive environment of the production technology.

Although farm size does not enter into the income distribution analysis directly, it still helps the planners from backup as it is implicitly present in the analysis. In other words, a more simplified and convenient approach is to assume an economic variable, say, gross income which has the capacity to capture all the characteristics of small, medium and large farms. In this way, we do not straightway seek departure from underlying manifestations of farm sizes, rather we try to accommodate it in income distribution analysis with a more realistic viewpoint. In view of the forementioned facts, the following section presents a conceptual

framework of income distribution analysis and suggests an alternative approach of using quintile distribution rather than farm size to construct various indices of social welfare for allowing fiscal measures rationally.

III

Conceptual Framework

Let us consider a simple equation of gross income Y for ith farmer

$$Y_i = \sum_{j=1}^{k} C_{ij} P_{ij} \qquad (1)$$

i = 1, 2, 3,.....N farmers
j = 1, 2, 3,.....K crops

where C and P are output and selling price, respectively.

These incomes for N families can be arranged in ascending order for showing the rising levels of incomes. As usual, the population is divided into successive quintiles and deciles according to ascending level of income for determining what proportion of total income is received by each income group. These quintiles are very important for the interpretation of growth of social welfare.

Farm size is an important variable used in the calculation of gross income which itself is directly obtained as sum of the products of respective prices and farm sizes of paddy and wheat crops in respect of each family under community of farmers adopting land reclamation technology. Though the farm size differs considerably in both the cases of paddy and wheat, still it implicitly reflects rising levels of incomes.

The basic idea underlying the concept of quintile distribution under analytical framework of Lorenz Curve for measuring the overall index of growth of social welfare is availability of income units to the 20 per cent of population in each quintile which are grouped according to rising levels of income. If the interpretation is carried forward with a judicious rate of income growth provided externally to each of the quintiles, then the overall growth of social welfare index (SWI) can be measured by

$$SWI = \sum_{i=1}^{5} \omega_i \varrho_i \qquad (2)$$

where ω_i and ϱ_i are welfare weights and growth rate of income of ith quintile, respectively.

This measure of social welfare provides a sanguine view of income distribution and is immensely helpful in the interpretation of the improvement of social welfare in achieving goals of equitable distribution through different policy alternatives for a society displaying inequal distribution of income. For this purpose, economists construct three indices of overall measure of index of growth of social welfare, namely, distributive share index, equal weights index and poverty weighted index. For example, we are led to construct distributive share index of social welfare if we assign suitable growth rates of income to respective welfare weights of quintiles. Similarly, equal weights index of social welfare can be constructed if we assign equal weights to each of the different quintiles while retaining same growth rates as in the above example. Finally, there may be a need to construct poverty weighted index of social welfare if welfare weights are exclusively assigned to the population residing in the first two quintiles.

The above concept of social welfare, if interpreted for designing policy options through the help of socially desirable indices of social welfare, is an alternative view which, in fact, is generally employed for determination of policy incentives or curbs to be allowed in agrarian economy. Though, farm size is a crucial economic determinant for the award of relief measures given to the marginal farmers in terms of price incentives, subsidies, credit facilities, the concept of social welfare if translated in terms of income speaks greater volumes for our realistic approach rather than the farm size.

In our opinion, the concept of social welfare when transformed directly into the economic profile of agriculture, presents a more sanguine view for attaining social justice. Further, when this type of income distribution analysis is applied particularly to those areas where crop production is assimilated under the premises of technological innovations, it draws a realistic picture of the socio-economic conditions of the community of the farmers realising income from crop enterprises. This approach is further strengthened in view of the fact that the manifold rise in income levels, reflected by accelerated productivity takes place on threshold of the new technology introduced in agriculture.

In the broader sense of this fact under the profile of quintile distribution, our present approach is to establish a mutual relationship between the respective quintiles and manifestations revealed by large, small and medium size farms. In other words, we assume a situation that provides some characteristics which are inherently associated with different categories of farmers not by varying farm sizes but by varying levels of income shares reflected by different quintiles. More specifically, in the context of the adoption of land reclamation technology for crop production, the community of farmers is under following economically distinguishable, practically viable, plausibly acceptable and logically arguable categories associated with different quintiles.

Categories of Farmers

The top 40 per cent, the richest category of farmers which has full command in the disposal of factors of production suited to land reclamation technology. It is further assumed that due to their sound financial status in the society, they have easy access to non-usurious credit, bargaining power in marketing activities and strong assimilation of technological know-how supplemented by research and extension service components in their crop production. They have risk-bearing capacity and negotiable power at the time of natural calamities like drought, famines, low rainfall, storms, cyclones and uncertainties created by prevailing market conditions. Production takes place under competitive environment and the objective function of the farmers is maximisation of income. Finally, it can be succinctly asserted that this category of farmers have all characteristics that are generally displayed by the farmers of large holding sizes. It can be stated that most of the farmers of this category are owners of lumpy capital inputs like tractors, tubewells, machine harvesters, etc. In the given sample, the production technology is dictated by the most modern inputs consistent with the requirements of seed-fertiliser technology and the sample represents proper application of suitable inputs like gypsum while enjoying assured supply which are most important components of the package of land reclamation technology.

The most integrated approach for disseminating idealised adoption behaviour of a technology depends on human resource development, which in turn is an integral function of adult literacy rate, life expectancy and basic purchasing power for maintenance of a decent life. This is the high income bracket class of a given society whose production techniques invariably are dictated by favourable socio-economic and socio-political conditions. In view of the aforementioned facts, throughout the empirical illustrations, they are assigned fourth and fifth quintles with 5 and 10 per cent growth rates of income for interpretation of the concept of social welfare, respectively.

The bottom 40 per cent is the poorest category of farmers having relatively little command in the disposal of factors of production, which is not fully consistent with requirements of recommended package of land reclamation technology. It is assumed that the level of income which they realise from their crop production is not sufficient to maintain desirable level

of consumption. Therefore, production and consumption are identical and their low levels of income are reflected by extremely small crop yields on marginal prices of land. Evidently, their production technology is characterised by minimal capital investment, non-availability of capital units, labour-intensive production techniques, socially demeaning status and operation of the law of diminishing returns to shrinking pieces of land. There are a priori reasons to believe that this class is presumably a depressed segment of the society and can therefore be characterised by low level of literacy which otherwise happens to be a necessary condition for masterminding production techniques efficiently.

Evidently, within production scenario, human development component is missing. They do not have risk-bearing capacity (risk averse) and therefore, are contented with low mean yield but cannot tolerate higher variances of yields around mean. In other words their objective function is neither profit maximisation nor income maximisation implying that the theory of neo-classical mode of production does not remain valid and they are practically immune to risk and uncertainty due to impoverishment and economic vulnerability. At the instances of missing modern inputs, their basic goal appears to be not maximisation of income or profits but chances of subsistence. More specifically, this category of farmers reveals the characteristics of marginal/small farms. A heavy dose of incentives and concessions is required to bring this class to a desirable level of production.

Therefore, throughout all the empirical illustrations, we have assigned first and second quintiles with a 0 growth rate of income in the light of preceding arguments of subsistence agriculture.

The middle 20 per cent category of farmers exhibits a mix of characteristics of the two extreme categories between which it lies, namely, the bottom 40 per cent and top 40 per cent. Apparently, this category of farmers exhibits all the characteristics of the medium sized farms under the premises of land reclamation technology. For empirical simplicity, they have been assigned third quintile and 2 per cent growth rate of income.

IV

Empirical Setting

Rapid industrialisation and urbanisation accompanied by population explosion has increasingly limited availability of land for agriculture. Bearing in mind, the low carrying capacity of earth and sustaining pace of agriculture without deforestation, the feasible solution to satisfy the food demands for additional masses, in years to come, compels planners for revitalising, reconsidering and restructuring their existing policy prescriptions to provide surplus land to increasing population of farmers without disturbing the development programmes. The answer to such questions lies in the reclamation of 952.06 million hectares salt-affected soils in the world. The conversion of barren land into fertile soils not only resolves the numerous unresolved outstanding economic problems in agriculture but also alerts the governments about man-made alarming situations, the menace of which comes into play whenever water is taken into fields due to faulty management of irrigation projects. The problem of salt-affected soils is equally important in Indian context as the estimated government figure 7 million hectares recorded in 1971 continues to increase day by day. The severity of this problem was realised by the government of India since the inception of Fourth Five-Year Plan and the research which was previously being done in discordinated and sporadic manner became integrated with the establishment of Central Soil Salinity Research Institute (CSSRI) at Karnal, Haryana in 1969. In order to meet this challenge of national importance, a package of land reclamation technology has been introduced in agriculture.

In order to interpret the above conceptual framework in terms of technological innovations in agriculture, the data of land reclamation technology is considered. Realising the tremendous success of land reclamation technology, even the farmers growing their crops on normal soils began to migrate from low productivity neighbouring areas of Karnal district in Haryana to such areas where the salt-affected soils were fully reclaimed due to joint efforts of Haryana Land Reclamation Development Corporation (HLRDC) and Central Soil Salinity Research Institute (CSSRI) Karnal in particular and favourable policy of government of Haryana for resettlement in general. The attraction was so much alarming that the 'bajigars' switched over from traditional professions to agriculture hoping to increase the living standards with the rising levels of income from such land where nothing was grown earlier. Even landless labourers who have been impoverished due to fragmentation, economic vulnerability and loss of land to rich and powerful landlords for long time became owners of land on reclaimed soils. In fact, the land reclamation programme on salt-affected soils has been initiated since 1970-71, but it received momentum only in the late 70s when it was completed. Also, full swing of migration took place during the periods 1975-76 to 1978-79, only after the entrance of the

TABLE 1: SIZE DISTRIBUTION BY INCOME SHARES

Deciles			Quintiles		
Per Cent of Income Recipient	Percentage Share in Total	Income	Per Cent of Income Recipient	Percentage Share in Total	Income
10	3.34	3.34	20		
20	4.94	8.28	20	8.28	8.28
30	6.52	14.81			
40	8.53	23.34	40	15.06	23.34
50	9.36	32.71			
60	10.28	42.98	60	19.64	42.98
70	11.27	54.25			
80	12.48	67.75	80	23.75	60.73
90	14.07	80.80			
100	19.20	100.00	100	33.27	100.00

TABLE 2: GROWTH OF SOCIAL WELFARE ASSOCIATED WITH VARIOUS TYPES OF SOCIAL WELFARE INDICES

Types of Social Welfare Index	Top 40 Per Cent				Middle 20 Per Cent		Bottom 40 Per Cent				Overall Measure
	Q_4		Q_5		Q_3		Q_2		Q_1		
	ω	ϱ	ω	ϱ	ω	ϱ	ω	ϱ	ω	ϱ	
1 Distributive shares index SWI (DS)	23.75	5	33.27	10	19.64	2	8.28	0	15.06	0	5.06
2 Equal weights index SWI(EW)	20	5	20	10	20	2	20	0	20	0	3.40
3 Poverty weighted index SWI(PW)	0	5	0	10	0	2	70	0	30	0	0

package of land reclamation technology for experimental laboratories of CSSRI through various operational research projects (ORPs) revealing the outcomes of multi-disciplinary research components of technology to farmers' fields.

In view of the research findings confirming the fact that the crop production on the reclaimed soils comes at par with normal soils in a span of about 2-3 years, the present study considers the data of paddy and wheat crop pertaining to the year 1983-84. Further, the package of technology recommends the crop production of paddy and wheat only in the region. Therefore, the entire income generated by the community of farmers is due to paddy and wheat crop grown on reclaimed soils.

More specifically, Karnal district was selected in view of the highest land reclamation. Finally, 110 farmers of Moonak and Rair Kalan adopting land reclamation technology and growing paddy and wheat during the year 1983-84 were randomly selected from Gharaunda block of Haryana state.

V

Empirical Illustrations

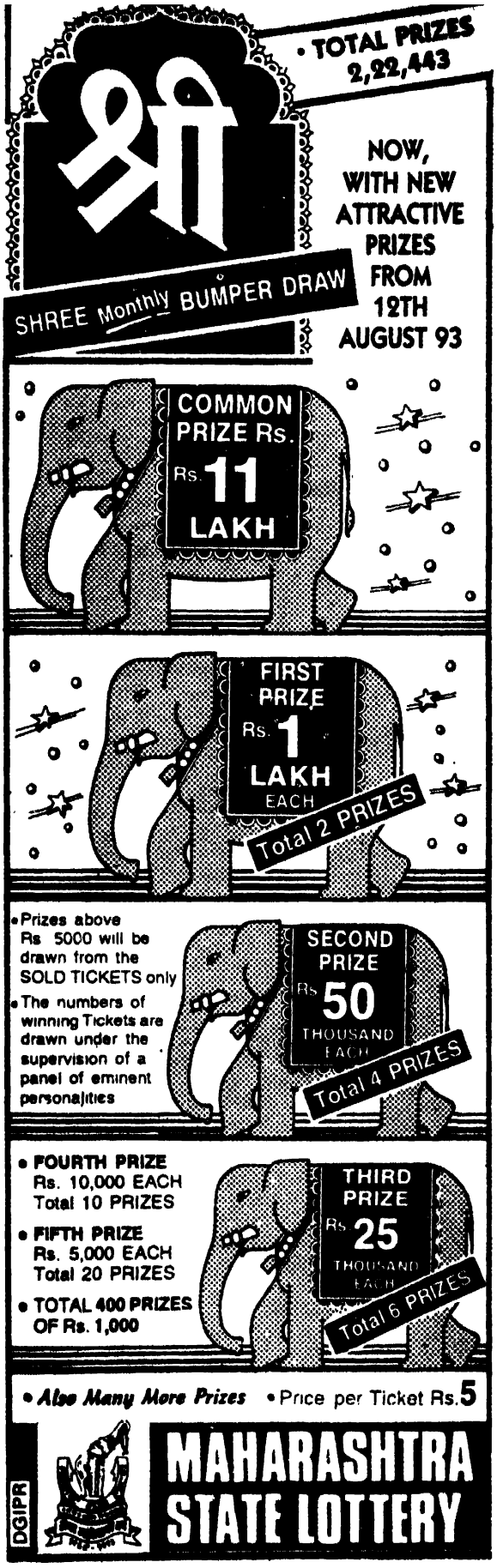
To provide a more detailed breakdown of the size distribution of income decile (10 per cent) distribution is used. Looking at the decile distribution in Table 1, we find that the bottom 10 per cent of the population receives only 3.34 per cent of the total income while top 10 per cent receives 19.20 per cent.

The second decile shows that bottom 20 per cent of population receives only 8.28 per cent of the total income and so on for each of the other remaining cumulative decile groups. As such, it can be noted that bottom 50 per cent of the population receives 32.71 per cent of total income.

Obviously, under the framework of income distribution, the sum of weights always adds up to unity and are non-negative.

$$\sum_{i=1}^{5} \omega_i = 1 \qquad (3)$$

Naturally, every quintile has a particular growth rate of income. However, the income growth rate of quintile may be less, equal or greater than that of the remaining four quintiles. But it is certain that the overall measure of the growth of social welfare will be between minimum and maximum value of income growth rates in the various quintiles. The various measures of income inequality suggest that its value lies between the two extremes, namely, 0 (perfect equality) and 1 (perfect inequality). We may further assume that the first four quintiles have no



income shares while top 20 per cent account for cent per cent share of income. Under such perfect inequality, the value of SWI obtainable from (2) is

$$SWI = \omega_5 \varrho_5 = 1.0\, \varrho_5 \quad (4)$$

Measurement of income inequality is circumscribed by the problems of lack of precision of data and ambiguities in its measurement. However, we extend the concept of quintile distribution to construct the overall measure of social welfare while trying to find out the alternative approaches by using different rates of income growth and social welfare indices for community of farmers adopting land reclamation technology is presented in Table 2.

Let us assume a realistic situation where the growth of income in the first two quintiles remain static while the last three quintiles record 2 per cent, 5 per cent and 10 per cent growth of income, respectively. Therefore, the overall measure of growth of social welfare based on distributive shares of the community of farmers adopting land reclamation technology attains the value of

$$SWI(DS) = (.1964)(.2) + (.2675)(.05) + (.3327)(.10) = .0906 \quad (5)$$

It implies that with such respective growth of income on third, fourth and fifth quintiles, the social welfare index increases from 100 to 105.06 per cent. With such respectable growth rate of SWI(DS) that has provided equiproportionate amount of social well-being to all persons in society, our income distribution plan projects a disturbing picture because the bottom 40 per cent still have only 8.28 and 15.06 units of income, respectively.

This worsening of income distribution compels policy planners to suggest some alternative measures that would make bottom 60 per cent population better off than before. Ironically, planners at this stage are not much worried about the improvement in SWI. Basically and more interestingly, they are solely concerned with the betterment of bottom 60 per cent population of farmers even at the cost of deterioration in the social welfare index. The impasse around the point of inequitable income distribution analysis as seen through empirical illustrations, compels the planners to seek departure from data-based judgment even though it provides a sound footing for alternative approaches leading to equitable distribution of income.

In fact, increase in social welfare has direct bearing on material well being of the society. This can be attained when a heavy premium of high growth rate of income is assigned to top quintiles. Although, such growth rate of income would result in considerable increase in overall measure of social welfare, it is certain that the group of persons falling in other quintiles would not be better off than before. We are in between the policy options whether 1 per cent increase in income of top 20 per cent is implicitly assumed to be over four times as important to society as a 1 per cent increase in income of bottom 20 per cent. Again, if we want to retain same rate of growth as illustrated in the previous example, a judicious way to arrive at a feasible solution is by equating 1 per cent increase in the income of the richest to 4 per cent increase of the poorest. Highly inequitable distribution of income depicts a dismal picture if a persuasive illustration is not given importance with social valuation. It implies that policy-makers should forget the empirically deduced unequal shares in original units (income weights) to carrying forward a computational result which necessarily demand a new thought around the framework of policy incentives. At this juncture, we are interested in subjective values tending towards egalitarian society. Under such situation, we are left with policy options to select arbitrary weights. However, we should be quite cautious while exhibiting preferences in the selection of weights in an arbitrary manner and it should be ensured that the particular choice should represent and reflect an important social value judgment about fundamental goals and basic objectives of a given society.

In our attempt to get rid of unequal income distribution that places a high premium on the growth of income of top 20 per cent population for maintaining a desired level of social welfare, an alternative way is to construct equal weight index of social welfare by assigning equal weights to the quintiles. More specifically, we are keeping 8.28, 15.06, 19.64, 26.75 and 23.33 units of income shares aside and assign an equal weight of 20 per cent to the growth of income to each of the quintiles.

$$SWI(EW) = 0.20\, \varrho_i \quad (6)$$

Using the same growth of income as discussed in previous illustration (5), we now get

$$SWI(EW) = 0.2(.02) + 0.2(0.05) + 0.2(0.1) = .004 + .01 + .02 = .034 = 3.4 \text{ per cent} \quad (7)$$

Undoubtedly, absolute increase in income for bottom group will be much smaller than the upper groups under this scheme of plan. But it is interesting to infer that there is equiproportionate bearing of all the quintiles on the overall measure of social welfare index. It is commonly seen that the bottom 40 per cent population is not able to maintain their living standard because of the low levels of income received by them from their crop enterprises. They are the poorest group of society because the factors of production are not under their control due to financial constraints. The prime question before the government is to consider their material well-being. This can only be achieved when the government places subjective social values on the income growth rates of the bottom 40 per cent. This can only be possible when no welfare weights are assigned to top 60 per cent. Evidently, this type of arbitrary selection of welfare weights advocates standing arguments to uplift the poor and such welfare weights are useful to construct poverty weighted index of social welfare. Again turning to our previous numerical illustration (5), the social welfare index (PW) will be given by

$$SWI(PW) = (0.7)(0) + (0.3)(0) + (0)(0.02) + (0)(0.05) + (0)(0.1) \quad (8)$$

Although, the idea of poverty index is not capable of recording any improvement in social welfare, it has certainly increased the material well being of the poorest category of farmers residing in a society.

V

Concluding Remarks

New technologies emerging in agriculture are potentially bestowed with high volume of income generation. In order to transform the community of farmers adopting new production techniques in their crop production into the egalitarian plane of income distribution, policy-makers have a set of three alternative policies based on distributive share index, equal weighted index and poverty weighted index under the concept of overall measure of social welfare associated with quintile distribution of income. For the measurement of overall index of the community of farmers, computational framework is quite simple and straightforward. Increase in social welfare appears to be quite effective but the value judgment for meeting the goals of desired social objectives depends on the 'welfare weights' and 'income growth rate' attached to each of the classes of farmers falling under each quintile.

If the goal of the society is simply to witness the 'data based' computational figures of the overall index of social welfare, then the 'distributive share index' is usually constructed without disturbing the income generating mechanism from outside. Even at the instance of high value of overall social welfare provided by 'distributive share index', the actual distributional scenario is quite disturbing because the conditions of lower bottom class of farmers have worsened due to lack of any reasonable growth of income, alongwith comparative absolute share of income. Under the situation, policy-makers can improve the material well-being by allowing 'equal weight' to each of the quintile groups. Where high unequal distribution of income is frequently visible due to presence of chronic poverty, then the alternative policy option is to construct 'poverty weighted index' as explained in our empirical illustrations.

This simple exercise with socially justifiable equitable distribution of income and thereby increasing the social welfare of the community of farmers adopting LRT in their crop production can be extremely useful if the scope of the study is supplemented with higher volume of data associated with the location specific technologies under different agro-climatic zones of the country. In fact, income generation due to crop production under the purview of a specific technology requires a different set of policy prescriptions. When inherent characteristics of different farm sizes get its interpretation through the respective quintiles as explained in our conceptual framework, a sanguine view of income distribution in terms of social justice can obviously be reflected by the production scenario under the regime of a given technology, if not possibly with one year's data but with the data spreading over a reasonable period of time.

Creating a Community of Discourse in Sociology in India

Ananta Giri

IN her provocative article 'Sociological Research in India: The State of Crisis' (*EPW*, June 5) Veena Das has raised some important questions regarding the practice of sociological research in India. One cannot disagree with Das's description of the lack of competence in sociological research in India today. Her plea for restoring "a dignity to dull, honest, plodding research" calls for critical reflection and creative response from all of us who are concerned with the problem.

Das is keen to pursue such research and "build up a critical mass of empirical data" within "the accepted paradigms of a discipline" (p 1161). But what are the accepted paradigms of the sociological discipline in India? Over the last 70 years of practice of sociology in India have we really cared to create a curriculum of sociology and anthropology in India which takes seriously our own cultural predicament and the Indian point of view? Das finds it alarming that many students whom she has met in interviews have forgotten where Malinowski did his fieldwork. But is it not equally alarming that some of the thoughtful interpreters of the human condition from within the Indian tradition such as Gandhi, Sri Aurobindo and Tagore do not find a place in the sociological curriculum of even the centres of advanced study in our country? Das takes for granted the discursive field of sociology in India. But apart from the lack of competence in the average research scholar that she points to, the real crisis of Indian sociology continues to lie in the fact that it is a colonial and metropolitan implant. Our curriculum is flooded with material coming from the west. If one is teaching religion in a department of sociology then why should one teach only Emile Durkheim's *Elementary Forms of Religious Life*? Why, for instance, is a student not also taught Sri Aurobindo's *Life Divine*? If one is teaching theories of culture and society, then why should only Giddens and Geertz steal the show? In our curriculum does a scholar such as Govind Chandra Pande find a place?

In fact, when one reads carefully Das's text, one is pained to discover that an uncritical metropolitanism permeates her thinking and vision. There is no denying that an efficient knowledge of English is a must for the practice of sociological research in India. But is it also not true that competence in one's own mother tongue and several Indian languages is a must for carrying out research in India and understanding our culture? But our problem is that we are more interested in reading and writing in English than in the Indian languages. Writing in English provides us a quick access to a global audience and brings laurels for us. It also provides us access to national and international publishers. We hardly write in our own mother tongues. But if we do not publish in our own mother tongues then how are we going to communicate the perspective gathered from empirical research to the people of our land? In any critical reflection on research the question 'knowledge for what?' cannot be altogether avoided in the name of competence or keeping off populism. As practitioners of sociology we must widen our audience by writing in one or several Indian languages. We must not forget the fact that we are teaching and carrying out research in India, not in the US or England. It is very much possible to write efficiently in both one's mother tongue and in English and this I consider to be a national task. But Das seems to be prejudiced against writing dissertations in the Indian languages. One agrees with her that "sociological works in the regional languages nor regional contributions add up to a sufficient body of literature" (p 1160). But instead of trying to remedy this situation by encouraging us to read and write in one or several Indian languages, Das ends up only with a plea for English.

This metropolitanism gets in the way of our being enriched by the work that is produced in India. The problem with the practice of sociology in India is that we have hardly cared to build up a community of discourse. A community of discourse requires egoless interaction and communication among those who think they belong to it by either professional role-playing or choice. But our egoism whipped up by our metropolitanism does not make us interested in the work of fellow research scholars of our land. We hardly care to know about the work that is produced in the social science departments across the country. Das remarks that only five or six departments are competent to guide research scholars, but what kind of a community of discourse are we going to create with such a bent of mind? If a majority of departments lack in competence then the challenge is to better the situation rather than withdraw support from these. Instead if only five or six departments thrive it would further accentuate the alienation of Indian sociology by confining it to the language and reality of the metropolis.

Das draws our attention to the problem of sub-standard publications and plagiarism in India. This is a problem and we must face it squarely. But here we must also realise that the problem is not merely that of sub-standard publication but lack of publication. As members of the academic community in India, a majority of us do not have the urge to publish. Therefore, even when scholars publish in their university or departmental journals, they should be read with care rather than ignored because of our a priori biases. Utkal University's department of anthropology produces an annual journal, *Man in Society*. But how many in India know about it? On the other hand, we are more acquainted with such departmental journals as *Cambridge Anthropology*. Even if papers published in journals such as *Man in Society* do not compare favourably with those published in *Cambridge Anthropology*, we have a duty to read the former because they are written by scholars in our country. Without such care and humility born out of one's commitment in building a community of discourse in India, the prospects for sociology in India are bound to be gloomy. Das gives more importance to publication in referred journals than elsewhere. There is no denying that referred journals demand more professional competence from the authors. But we cannot decide a priori about the quality and coherence of articles published in either referred or non-referred journals. Since there are very few professional journals of sociology in India, we must welcome young scholars publishing in any forum they get and look for the best in them in unknown places.

Das is worried that "there may not be a next generation" for sociology in India which has been nourished by "such eminent scholars as Radhakamal Mukherjee, G S Ghurye, N K Bose, D N Mazumdar and M N Srinivas" (p 1161). But the next generation has to be prepared, it does not fall from the air. The problem in contemporary India is that institutions are so little concerned about their own survival and reproduction by being open to and

...becoming of the young who are going to join them. In fact, the youth in India face a problem of institutional closure. Positions lie vacant in universities and institutions of research for ages without being filled up. When they are called for interview, in 99 per cent of the cases they are not provided any support for travel and stay. Both the experts and the interviewees are called for the same purpose, but while the experts are taken care of by the universities the poor students are left to the streets. The experts are men and women of means, while the student might have borrowed her bare travel money by mortgaging her mother's bangle. Is such treatment fair? With such a framework for the meeting of generations, what kind of inter-generational solidarity can we expect?

Das describes for us her disappointing experience in interviews. But she does not subject the existing framework of recruitment to critical scrutiny. First of all, is the prevalent mode of recruitment through a haphazard interview the best way of getting the most efficient scholars into institutions? What can the experts find out in a mere 15-20 minutes? As an alternative we could have a two-tiered process of selection. An interview with experts can lead to a short-listing of candidates, who then should make presentations to an audience of students, teachers and concerned citizens. This is a better mechanism of recruiting the best than the prevalent method of interviewing where an expert sometimes does not care to read the whole of a paper written by a student and produced before the board, but asks about some author cited in the text. A communicative interaction requires fairness on all sides and an interviewee should not be given the impression that he or she is being asked questions out of context.

Das prefers to the Indian Sociological Society in her paper. She wants this body to prepare a report on the state of the crisis that she highlights. Indian Sociological Society has not had its annual convention for years. It also seems that the Society has not been able to involve the majority of practising sociologists in India in its work. We, interested sociologists in India who want to interact with our colleagues, do not have any platform for interaction and exchange of ideas. This is tragic and unfortunate. Without regular annual meetings of our supposedly professional bodies, such as the Indian Sociological Society, we continue to live within our own particular oases and have little opportunity for interacting with fellow scholars which could transform our taken-for-granted assumptions about the Self and the Other. The plight of the Indian Sociological Society heightens the urgency to build functioning professional bodies which would have an all-India character and not simply be metropolitan in their composition and ethos. It also underscores the importance of building a community of discourse in India where we give as much importance to good work coming from Coimbatore as we give to that coming from Cambridge. But in building such a community of discourse the problem of egoism, though less visible, is far more threatening than the problem of invidious politics.

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Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly. Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century. In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues, have been largely obfuscated. It is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it.

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NEW DELHI BRANCH

BALANCE SHEET AS AT 31 MARCH, 1993

(Rupees in Thousands)

	Schedule	As at 31.03.1993	As at 31.03.1992
CAPITAL & LIABILITIES			
Capital	1	150,000	150,000
Reserves & Surplus	2	60,303	28,912
Deposits	3	499,631	558,989
Borrowings	4	617,700	213,300
Other Liabilities and Provisions	5	23,031	58,452
TOTAL		1,351,265	1,009,653
ASSETS			
Cash & balances with Reserve Bank of India	6	153,517	111,396
Balances with Banks and Money at Call and Short Notice	7	92,494	112,072
Investments	8	273,763	198,349
Advances	9	774,563	544,388
Fixed Assets	10	15,270	15,870
Other Assets	11	41,658	27,578
TOTAL		1,351,265	1,009,653
Contingent Liabilities	12	1,312,352	1,028,986
Bills for Collection		119,348	139,757

Accounting Policies and Notes on Accounts 17

Schedules referred to above form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 1993

(Rupees in Thousands)

	Schedule	Year Ended 31.03.1993	Year Ended 31.03.1992
I INCOME			
Interest earned	13	172,862	86,099
Other Income	14	31,873	39,299
TOTAL		204,735	125,398
II EXPENDITURE			
Interest expended	15	90,182	31,983
Operating expenses	16	22,985	20,142
Provisions & contingencies		59,000	46,870
TOTAL		172,167	98,995
III NET PROFIT FOR THE YEAR		32,568	26,403
IV APPROPRIATIONS			
Transfer to statutory reserves		6,514	5,281
Transfer to other reserves		26,054	21,122
Transfer to government/ proposed dividend		0	0
Balance carried over to Balance Sheet		0	0
TOTAL		32,568	26,403

Accounting policies and Notes on Accounts 17

Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date
For THAKUR, VAIDYANATH AIYAR & CO
Chartered Accountants
Sd/-
K N GUPTA
Partner

New Delhi
Dated: 22 July, 1993

For THE SANWA BANK LIMITED
Sd/-
NOBUHARU TACHIBANA
General Manager
New Delhi Branch

THE SANWA BANK LIMITED

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NEW DELHI BRANCH

SCHEDULES TO BALANCE SHEET

(Rupees in Thousands)

	As at 31.03.1993	As at 31.03.1992
Schedule 1—Capital		
Capital		
i) Amount brought in by way of start-up capital as prescribed by the Reserve Bank of India	150,000	150,000
TOTAL	150,000	150,000
ii) Cash deposited with the Reserve Bank of India under Section 11(2)(a) of the Banking Regulation Act, 1949	1,500	1,500
Schedule 2—Reserves and Surplus		
I. Statutory Reserves (Retained profits reserve U/S 11(2)(b)(ii) of the Banking Regulation Act, 1949)		
Opening Balance	5,668	387
Additions during the year	6,514	5,281
Deductions during the year	0	0
	12,182	
II. Capital Reserves	0	0
III. Share Premium	0	0
IV. Revenue & Other Reserves		
Opening balance	23,244	2,122
Additions during the year	26,054	21,122
Deductions during the year (Remittance to head office)	577	0
	48,721	
V. Balance in Profit & Loss Account	0	0
TOTAL	60,903	28,912
Schedule 3—Deposits		
A. I. Demand Deposits		
i) From Banks	868	5,093
ii) From Others	131,161	59,380
II. Savings Bank Deposits	14,915	26,294
III. Term Deposits		
i) From Banks	263,146	255,000
ii) From Others	89,541	213,222
TOTAL	499,631	558,989
B. i) Deposits of Branches in India	499,631	558,989
ii) Deposits of Branches Outside India	0	0
TOTAL	499,631	558,989

(Rupees in Thousands)

	As at 31.03.1993	As at 31.03.1992
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	217,700	213,300
ii) Other Banks	400,000	0
iii) Other Institutions and Agencies	0	0
II. Borrowings outside India	0	0
TOTAL	617,700	213,300
Secured Borrowings in I & II above	Nil	Nil
Schedule 5—Other Liabilities and Provisions		
I. Bills Payable	6,339	22,960
II. Inter-office adjustments (net)	0	0
III. Interest accrued	11,094	18,971
IV. Others (including provisions)	5,598	16,521
TOTAL	23,031	58,452
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in Hand (including Foreign Currency Notes)	2,659	4,137
II. Balances with Reserve Bank of India		
i) In Current Account	150,858	107,259
ii) In Other Accounts	0	0
TOTAL	153,517	111,396
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with Banks		
a) In Current Accounts	90,998	11,672
b) In Other Deposit Accounts	0	0
ii) Money at Call and Short Notice		
a) With Banks	0	100,000
b) With Other Institutions	0	0
TOTAL	90,998	111,672
II. Outside India		
i) In Current Accounts	1,496	400
ii) In Other Deposit Accounts	0	0
iii) Money at Call and Short Notice	0	0
TOTAL	1,496	400
GRAND TOTAL	92,494	112,072

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NEW DELHI BRANCH

SCHEDULES TO BALANCE SHEET

(Rupees in Thousands)

	As at 31.03.1993	As at 31.03.1992
Schedule 8—Investments		
I. Investments in India in		
i) Government Securities	273,763	198,349
ii) Other approved Securities	0	0
iii) Shares	0	0
iv) Debentures and Bonds	0	0
v) Subsidiaries and/or joint ventures	0	0
vi) Others	0	0
TOTAL	273,763	198,349
II. Investments outside India in		
i) Government Securities (including local authorities)	0	0
ii) Subsidiaries and/or joint ventures abroad	0	0
iii) Others	0	0
TOTAL	0	0
GRAND TOTAL	273,763	198,349
Schedule 9—Advances		
A. i) Bills purchased and discounted	118,069	100,402
ii) Cash credits, overdrafts and loans repayable on demand	652,743	439,409
iii) Term loans	3,751	4,577
TOTAL	774,563	544,388
B. i) Secured by tangible assets	484,890	483,497
ii) Covered by bank/ government guarantees	0	0
iii) Unsecured	289,673	60,891
TOTAL	774,563	544,388
C. I. Advances in India		
i) Priority sectors	50,938	29,280
ii) Public sector	0	0
iii) Banks	0	0
iv) Others	723,625	515,108
TOTAL	774,563	544,388
II. Advances outside India		
i) Due from banks	0	0
ii) Due from others		
a) Bills purchased and discounted	0	0
b) Syndicated loans	0	0
c) Others	0	0
TOTAL	0	0
GRAND TOTAL	774,563	544,388

(Rupees in Thousands)

	As at 31.03.1993	As at 31.03.1992
Schedule 10—Fixed Assets		
I Premises (comprises of improvements on leased premises)		
At cost as at 31 March of the preceding year	5,415	5,114
Additions during the year	104	988
Deductions during the year	0	(687)
Depreciation to date	(1,530)	(818)
II. Other Fixed Articles (including furniture and fixtures)		
At cost as at 31 March of the preceding year	12,300	10,159
Additions during the year	841	2,209
Deductions during the year	0	(68)
Depreciation to date	(1,860)	(1,027)
TOTAL	15,270	15,870
Schedule 11—Other Assets		
I. Inter-office adjustments (net)	10,880	13,434
II. Interest accrued	9,943	8,281
III. Tax paid in advance/tax deducted at source	10,150	0
IV Stationery and stamps	0	0
V. Non-banking assets acquired in satisfaction of claims	0	0
VI. Others	10,685	5,863
TOTAL	41,658	27,578
Schedule 12—Contingent Liabilities		
I. Claims against the bank not acknowledged as debts	0	0
II. Liabilities for partly paid investments	0	0
III. Liability on account of outstanding forward exchange contracts	182,095	172,733
IV. Guarantees given on behalf of constituents		
a) In India	71,337	136,278
b) Outside India	2,054	0
V. Acceptances, endorsements and other obligations	1,056,473	719,975
VI. Other items for which the bank is contingently liable	393	0
TOTAL	1,312,352	1,028,986

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Rupees in Thousands)

	Year Ended 31.03.1993	Year Ended 31.03.1992
Schedule 13—Interest Earned		
I. Interest/discount on advances/bills	136,065	62,053
II. Income on investments	24,738	9,873
III. Interest on balances with Reserve Bank of India and other inter-bank funds	10,125	14,173
IV. Others	1,934	0
TOTAL	172,862	86,099
Schedule 14—Other Income		
I. Commission, exchange and brokerage	13,804	13,141
II. Profit on sale of investments	0	0
Less: Loss on sale of investments	0	0
III. Profit on revaluation of investments	0	0
Less: Loss on revaluation of investments	0	0
IV. Profit on sale of land, buildings and other assets	0	0
Less: Loss on sale of land, buildings and other assets	0	0
V. Profit on exchange transactions	21,768	27,109
Less: Loss on exchange transactions	(4,560)	(2,096)
VI. Income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	0	0
VII. Miscellaneous income	861	1,145
TOTAL	31,873	39,299
Schedule 15—Interest Expended		
I. Interest on deposits	48,315	22,108
II. Interest on Reserve Bank of India/Inter-bank borrowings	41,867	9,875
III. Others	0	0
TOTAL	90,182	31,983

(Rupees in Thousands)

	Year Ended 31.03.1993	Year Ended 31.03.1992
Schedule 16—Operating Expenses		
I. Payments to and provisions for employees	4,565	3,623
II. Rent, taxes and lighting	5,454	5,307
III. Printing and stationery	2,000	1,327
IV. Advertisement and publicity	18	35
V. Depreciation on bank's property	1,545	1,411
VI. Directors' fees, allowances and expenses	0	0
VII. Auditors' fees and expenses (including branch auditors)	55	67
VIII. Law charges	133	30
IX. Postages, telegrams, telephones etc.	2,105	1,539
X. Repairs and maintenance	1,357	2,530
XI. Insurance	175	78
XII. Other expenditure	5,578	4,195
TOTAL	22,985	20,142

Schedule 17—Accounting Policies and Notes on Accounts

I. ACCOUNTING POLICIES

a) GENERAL

The accompanying financial statements have been prepared on the historical cost basis and unless otherwise stated conform to the statutory provisions and practices prevailing in the country.

b) FOREIGN CURRENCY TRANSLATION

Assets and Liabilities in foreign currencies are translated into Indian Rupees at the rates current at the balance sheet date, but for deposits from Non-Residents in Foreign Currency Non-Resident Accounts which are translated at the rates specified by the Reserve Bank of India. Resultant gains or losses are taken to the Profit and Loss Account.

Transactions during the year are translated into Indian Rupees at the rate current at the date of transactions.

Gain/Loss on forward contracts are accounted for in the Profit and Loss Account on the date of settlement. However in case of outstanding forward contracts at the year end, loss if any, is accounted for in the books.

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

c) INVESTMENTS

Investments in approved Government Securities have been classified under 'permanent' and 'current' categories.

The current investments are valued at the lower of cost and market value. Permanent investments are valued at cost. However in case of differences between the cost and redemption price the same has been accrued over the period from acquisition/April 1, 1992 (in case of investments carried over from last year) to redemption date and has been recognised as income or expense, in terms of letter from the Reserve Bank of India, DBOD No 841/27.02.003/93 dated February 25, 1993 [Phalguna 1914(s)].

d) ADVANCES

Since there are no doubtful advances during the year, the accounting policy on the same has not been commented on.

e) FIXED ASSETS

Fixed assets are stated at cost less depreciation. Depreciation is on a straight line method at the rates specified in Schedule XIV of the Companies Act, 1956, except for improvements on leased premises which are depreciated over the period of lease.

f) STAFF BENEFITS

The Bank has taken a Group Gratuity Policy with the Life Insurance Corporation of India (LIC) under the Group Gratuity (Cash Accumulation) Scheme, for the non-expatriate staff which covers the full contractual liability towards gratuity in the event of death/retirement, out of the balance remaining with LIC in the running account and under the term assurance. However in the case of employees leaving before retirement LIC would only repay the premium paid in respect of those employees. In the aforesaid cases the shortfall will be borne by the Bank. Excess payment over recoveries from LIC in such cases will be treated on cash basis in the accounts.

g) NET PROFIT

The net profit disclosed in the Profit and Loss Account is after provision for taxes on income in accordance with statutory requirements and other usual and necessary provisions.

II. NOTES ON ACCOUNTS

1. The current account with the State Bank of India is pending reconciliation. This includes large amounts of unexplained debits amounting to Rs 8109 thousand and unexplained credits amounting to Rs 8093 thousand as of 31st March, 1993 which remain to be identified and adjusted.
2. Advances classified as secured by tangible assets include Rs 111765 thousand for which confirmations from the concerned Lead Banks are yet to be obtained. As a result these advances could not be segregated into standard/sub-standard accounts. Consequently provision, if required, in respect of any sub-standard accounts, could not be made in the accounts for the year ended 31.3.93.
3. Remuneration paid to the Principal Officer-General Manager, New Delhi Branch.

(Rs in thousand)

	Current Year	Previous Year
Salary	360	286
Allowances	17	-
Monetary value of any other benefits/perquisites per tax rules (excluding leave passage)	173	119
	550	405

4. Figures in Rupees have been rounded off to the nearest thousand.

Auditor's Report

1. We have audited the attached Balance Sheet of the New Delhi Branch of The Sanwa Bank Limited (incorporated in Japan with limited liability) as at 31st March, 1993 and also the Profit and Loss Account of the New Delhi Branch of the Bank for the year ended on that date annexed thereto.
2. The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
3. The Current Account with the State Bank of India is pending reconciliation as at 31st March, 1993. Consequently, adjustments are to be carried out for unexplained debits of Rs. 8109 thousand and credits of Rs. 8093 thousand on its reconciliation
4. Advances of Rs 111765 thousand have been classified by the Management as secured by tangible assets for which confirmation from the concerned Lead Banks are yet to be obtained As a result, these advances could also not be segregated into standard/sub-standard accounts. Consequently provision, if required, in respect of these sub-standard accounts, could not be made in the accounts for the year ended 31st March, 1993.
5. We report that subject to our observations in Para 3 and 4 above:
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have been found them to be satisfactory.
   b) The transactions of the Bank which have come to our notice have been within the powers of the Bank
   c) In our opinion, proper books of account as required by the law have been kept by the Bank so far as appears from our examination of those books.
   d) The Balance Sheet and Profit and Loss Account of the New Delhi Branch of the Bank dealt with by this report are in agreement with the books of account
   e) In our opinion and to the best of our information and according to the information and explanation given to us, the said accounts read with the Accounting Policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis:
      i) The Balance Sheet gives a true and fair view of the state of affairs of the New Delhi Branch of the Bank as at 31st March, 1993, and
      ii) The Profit and Loss Account gives a true balance of the Profit of the New Delhi Branch of the Bank for the year ended on that date.

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants,
Sd/-
(K. N. GUPTA)
Partner

Place: New Delhi
Dated: 22 July, 1993

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RISKS AS PERCEIVED BY THE MANAGEMENT

- As there is no financial (term loan) participation from ICICI the deployment of funds and the implementation of the project is left entirely to the promoters However the proposed project has been appraised by ICICI for the purpose of underwriting based on in house estimates of Company management
- The Company will be affected as much as the industry is influenced by Government policies and business cycles
- Risk of cost overruns in the implementation of project However major cost of project in the form of imported and critical indigenous equipment is already tied up
- The Company is yet to obtain sanction from the Gujarat Electricity Board for power requirement at its Sachana unit However the Company is confident of obtaining the same in due time It is also planning to install its own generation units as an alternative
- The Company imports some critical raw materials and consumables This is subject to changes in Government policies and fluctuations in exchange rate The Company imports these raw materials and consumables of international quality from world leaders to be able to manufacture I V Fluids of international standards The CIF value of such imports accounts for approximately 15% of the sales value per year Most of these items are under OGL and attract special concessional rate of import duty for use in manufacture of I V Fluids Further since the Company is exporting a significant portion of its production, import of these items is not likely to become a cause for concern

If the Company does not receive the minimum subscription amount of 90% of the Equity Shares to the public offering underwriters within [illegible] days from the date of opening of the issue the Company shall refund entire subscription amount received within the period of Equity Shares within 128 days with interest for delay beyond 8 days from the date of closure of the issue

Lead Managers to the Issue

ICICI Securities and Finance Company Limited

Industrial Finance Corporation of India

Bank of Baroda

Registrars to the Issue

Core Consultants Pvt Limited

CORE

CORE PARENTERALS LIMITED

NO COMPROMISES AND THAT IS THAT.

* Projected (As appraised by ICICI)

INVESTORS ARE REQUESTED TO REFER TO THE PARA ON JUSTIFICATION OF PREMIUM IN THE PROSPECTUS BEFORE MAKING AN INVESTMENT IN THIS ISSUE

ISSUE OPENS ON AUGUST 3, 1993.

Mudra CP 6860

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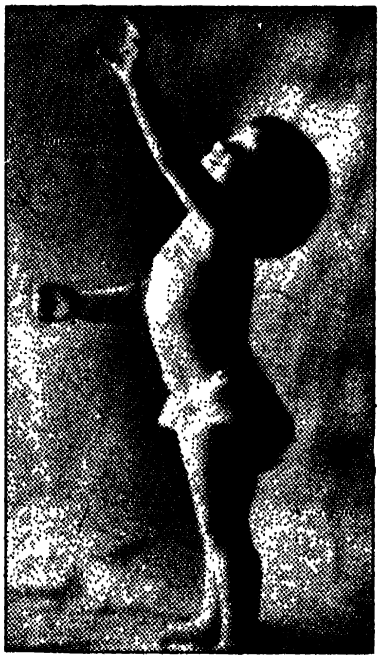
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STATE BANK OF HYDERABAD

1942 - 1992 Golden Jubilee

BALANCE SHEET AS ON 31st MARCH 1993, AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1993.



BALANCE SHEET AS ON 31st MARCH 1993

(000's Omitted)

	As on 31-03-93 Rs	As on 31-03-92 Rs.
CAPITAL AND LIABILITIES		
Capital	17,25,00	17,25,00
Reserve & Surplus	80,40,91	45,80,46
Deposits	3863,15,66	3178,83,85
Borrowings	113,30,83	143,61,90
Other Liabilities and Provisions	801,59,98	637,72,09
TOTAL	4875,72 38	4023,23,30
ASSETS		
Cash and balances with Reserve Bank of India	624,95,18	433,50,20
Balances with banks and money at call and short notice	163,88,19	188,89,08
Investments	1410,20,41	1257,83,81
Advances	2240,00,07	1956,42,16
Fixed Assets	22,03,72	15,46,96
Other Assets	414,64,81	171,11,09
TOTAL	4875,72,38	4023,23,30
Contingent Liabilities	2378,90,05	3186,82,93
Bills for Collection	152,92,77	123,67,27

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1993

	Year ended 31-03-93 Rs	Year ended 31-03 92 Rs		Year ended 31-03-93 Rs	Year ended 31-03-92 Rs.
I INCOME			III PROFIT/LOSS		
Interest earned	480,36,38	423,32,67	Net Profit for the Year	17,01,95	12,75,00
Other Income	75,58,89	60,81,72	Profit brought forward	46	46
TOTAL	555,95,27	484,14,39	TOTAL	17,02,41	12,75,46
II EXPENDITURE			IV APPROPRIATIONS		
Interest expended	319,15,73	237,27,55	Proposed Dividend	2,41,50	-Nil-
Operating Expenses	131,21,83	111,83,15	Transfer to Statutory reserves	5,50,00	4,50,00
Provisions and Contingencies	88,55,76	122,28,69	Transfer to Other reserves	9,10,45	8,25,00
			Balance carried over to the balance sheet	46	46
TOTAL	538,93,32	471,39,39,	TOTAL	17,02,41	12,75,46

D BASU, Chairman — S M PARANDE, Managing Director — H G. BALAGOPAL, Gen Manager (Insp & Fin) — V V. SATYANARAYANA, Asst Gen Manager (F&A)

Directors R S. BAKKANNAVAR, Dr M K SINHA, K G AGARWAL, Smt ANITA KAPUR, BEGUM BILKEES LATIF, Dr B GOPAL, RAM NIVAS KOTHARI, Dr SURENDRA MOHAN VIRMANI, N SEETHARAMA RAO, A ANANTHA KRISHNA RAO

Place : Bomaby
Date . 4-6 1993.

For SURYANARAYANA MURTHY & CO, Chartered Accountants, (D DURGA PRASAD), Partner

For B THIAGARAJAN & CO, Chartered Accountants, (K N RAJAGOPALAN), Partner

For RAO & KUMAR, Chartered Accountants, (V V RAMMOHAN), Partner

For S. DAGA & CO., Chartered Accountants, (SHANTILAL DAGA), Partner

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Director

Reform Agenda

The finance ministry's 'discussion paper' on the economic reforms contains some indicative targets whose consistency merits attention. Also, the document differs in some subtle ways from past pronouncements of individuals and committees spearheading the 'reform' process. Most importantly, the agenda outlined in it is essentially a sneak preview of the conditionalities likely to be attached to the Extended Fund Facility (EFF) loan which the government, after a short-lived bout of bravado, has decided to seek from the IMF. 1563

The far-reaching changes in the macro-economic management of the economy proposed in the next three years in the finance ministry's 'discussion paper' will widen the gaps in the availability of essential social services and contribute to worsening of the problems of poverty and unemployment. 1556

Caste Cleavages

Central to the discourse on communal representation and reservation between 1850-1916, the related administrative processes and the non-brahmin response to them were the statistics collected from time to time. These made the non-brahmins and the British officials increasingly aware of the structural cleavages in south India. Such awareness in turn sharpened these cleavages, pitted the non-brahmins against the brahmins and gradually paved the way for the non-brahmin movement. 1585

No Case

The 'inherent disadvantages' of Indian industry which the Chelliah Committee advances as the reason for advocating protection are really domestic distortions which should be dealt with by domestic reform. And even in the interval during which they persist, there is no justification for favouring domestic sales over export sales which the tariff structure recommended by the committee certainly does. 1599

All Talk

The current enthusiasm of Bihar's political leaders for reforms in the state's panchayati raj legislation is unlikely to result in any real change. 1567

Math Myths

India's mathematical heritage offers much to be proud of, but claims that it offers quick solutions to all sorts of computational problems can be proved to be false. 1577

Assessing Liberalisation

The ongoing debate on the country's economic liberalisation programme has been marked by some careless reasoning about what is expected to happen and why; whether the consequences are good or bad is quite 1612

Barter Blues

Russia is attempting to revive the barter system in trade to cope with the economic crisis it is currently facing. 1575

Little Men and a Giant

The audacity of little men. The centenary of P C Mahalanobis' birth had been observed not for history's sake, but for their own. They came to praise the Professor while making sure that each of the goals he had set his heart on remained aborted 1554

In Decline

Privatisation is hardly a solution to the ills that plague Assam's synthetic weaving mills which were promoted at a time when the cotton textile industry elsewhere was in the doldrums. 1569

AKR

A K Ramanujan was a poet, translator, folklorist and linguist. While he was proficient in all these, it is for his translations of classical Tamil poetry that he will be chiefly remembered. 1571

Blind Policy

The impact of the World Bank-prescribed policies of 'structural adjustment' are becoming evident in the field of education where the Bank is wholly in favour of privatisation 1561

Ban on Use of Pesticides

THE announcement by the union agriculture secretary, M S Gill, that the use of 12 pesticides is banned and 13 additional pesticides is restricted in agriculture is welcome news. While this signifies the acceptance by the government that pesticides are dangerous from health and environment angles, restricting the ban to use in agriculture is meaningless.

Pesticides have affected the health of industrial workers producing them, dealers marketing them and farmers using them in their fields. More than that, they affect the entire world of living beings as consumers of farm products treated with pesticides during cultivation and storage. We marvel at the sight of fruits and vegetables not attacked by pests even though fully ripened; however, we hardly realise that these edibles are totally covered with pesticides which affect our health. Studies have now proved that pesticides cause many a serious ailments including cancer and respiratory diseases.

Pesticides contaminate the soil and water. However the most damning impact is that the use of pesticides promotes the proliferation of the population of damaging pests by killing simultaneously the natural enemies of targeted pests. Pesticides in addition inhibit the process of photosynthesis in the very plants intended to be protected. Thus not only are the pesticides toxic to living beings, but they serve no purpose because they promote the proliferation of pests or their more pernicious mutations.

Pesticides are used in public health operations in addition to agriculture. The DDT banned for use in agriculture is the most preferred pesticide of the public health department. In India a government-owned industry manufactures the DDT, hence even though it is known to be the most pernicious pesticide having the most adverse impact on human health, it is patronised in public health.

No control whatsoever is exercised on the manufacture and marketing of pesticides. Large quantities of pesticides are imported and disposed of without any control being exercised at any stage as no machinery exists for monitoring the route of pesticides from manufacture/import to the end use via marketing. In fact large quantities out of the pesticides manufactured and imported find their way to farming operations even though their use is banned in agriculture. Switching off from other operations to agriculture of pesticides is so natural that that is hardly perceived. Ban or control on use of pesticides for agriculture when they are manufactured and marketed in India is therefore self-defeating.

With the majority of damaging insects developing immunity against most of the synthetic chemical pesticides, with some developing immunity against all of them and with more pernicious mutations coming up, it is clear that chemical pesticides are no cure against pests, including those dangerous to living beings and vegetative life. What is required is the total ban (and not control) on the manufacture and marketing of all chemical pesticides making them unavailable in the country for use in public health, agriculture or any other operation whatsoever.

The total ban is a prerequisite for conservation of better environment and better health. The decision to ban and control chemical pesticides will have to be cabinet decision at the central and state government levels throughout the country and will have to be all-encompassing so that no banned pesticides are allowed to be manufactured, marketed and used for any purpose. That is the only guarantee for protection to the people against the dangerous pesticides.

KISAN MEHTA

Bombay

Report on Oustees of Bargi Project

SINCE the National Workshop on 'Human Rights, Environment and the Law' held at Bangalore between June 1 and June 5, the Indian People's Tribunal has begun to make its presence felt. The IPT responded to an emergency situation at Bargi and within a week sent a fact-finding team to Bargi to view the situation. Justice S M Daud kindly consented to head the team and was accompanied by advocate M Desai. After a 24-hour long and arduous journey justice Daud reached the affected villages where 1,000 villagers had gathered specially to meet him. The entire two-day trip has been documented in a report released by IPT. The report gives an insight into the kind of injustices that have been perpetrated on the people and the families that reside within the purview of the dam and also how in spite of large amounts of funds employed the dam is functioning far below the projected governmental statistical approximations. Copies of the report, for which the suggested contribution is Rs 5 per copy, are available at the address given below.

DEEPIKA D'SOUZA

Indian People's Tribunal on Environment and Human Rights,
4th Floor, Engineer's House,
86 Apollo Street,
Bombay - 400 023.

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ECONOMIC AND POLITICAL WEEKLY

Some Headway

THE no-confidence motion in the Lok Sabha, which the government of Narasimha Rao survived by the skin of its teeth through a characteristically sleazy operation, was as much a tussle between the Left Front-Janata Dal on the one hand and the BJP on the other, though nominally both supported the motion right to the end. It was, on the face of it, ludicrous for the BJP to support a motion expressing lack of confidence in the government for, among other grounds, specifically "its compromising attitude to communal forces resulting in failure to tackle the threat to the secular basis of the Constitution arising out of the Ayodhya dispute and its aftermath" and "not bringing to book those responsible for the demolition of the mosque structure at Ayodhya". It supported the motion, moved by the CPI(M), not only out of the calculation that the possible defeat of the government might hasten mid-term elections in which it claims to be confident of significantly improving its strength in parliament if not of actually winning an outright majority. The BJP needed the no-confidence motion to break the logjam in the Congress(I) after the demolition of the Babri masjid in December last and the communal, mostly anti-Muslim, violence sparked by it which has compelled prime minister Narasimha Rao, who had till then followed a more or less explicit strategy of tilting to the BJP to ensure the continuance of his minority government, to strike anti-BJP postures and, most important of all, dismiss the four BJP state governments formed after the last elections. The objective of the left parties and the Janata Dal, on the other hand, had been known: by confronting the Congress(I) with the threat of its government being defeated in the vote on the non-confidence motion they hoped to bring pressure on the ruling party to effect a change of leadership, removing Narasimha Rao and his group whom they have, with good reason, held responsible both for the government's complacency, and worse, towards the Hindutva forces led by the BJP which made it possible for these forces to carry out the demolition of the Babri masjid and for the economic policies of rushing headlong into liberalisation and globalisation under pressure exerted quite openly by the IMF and the World Bank.

The fate of the no-confidence motion, it was clear from the outset, hinged on the decision of the Janata Dal(A) group. If the group chose to continue its support to the government, the motion would have been reduced to a routine exercise more or less, though the margin of its defeat would have been somewhat narrower than on earlier occasions because of the AIADMK's recent alienation from the Congress(I). In that sense the decision of the Janata Dal(A) to switch sides and join the opposition was the highlight of the political drama of the no-confidence motion. As soon as Ajit Singh made his announcement the Left Front reiterated that what it was after was a change of leadership in the Congress. And within the ruling party, it is known, a move was initiated to call a meeting of the Congress parliamentary party which was abandoned only after the group around the prime minister succeeded in 'inducing' seven of the Janata Dal(A) MPs to cross over and support the government and was able to convince the party that the government would survive the vote on the no-confidence motion.

In terms of the Left Front-Janata Dal's objective of bringing about a realignment of secular and democratic forces the no-confidence motion, despite its defeat, was not wasted effort entirely. The expected admission of the seven former Janata Dal(A) MPs into the party is bound to become another issue in the ongoing tussle within the Congress(I). The methods which are widely believed to have been employed by the prime minister's group to wean away these MPs lend further substance to the charge of "all pervading corruption even at the highest levels of the government" which formed one of the grounds for the no-confidence motion. And in the bills which the government has introduced in parliament ostensibly to delink religion from politics the left parties-Janata Dal combine has another ready plank to continue its campaign. The bills vest the powers to disqualify candidates in the bureaucracy. Apart from the real danger of highly discriminatory use of these powers in view of the repeatedly revealed communal bias of the administrative machinery, these provisions leave the door wide open for abuse of the proposed legislation by the government and the party in power against their political opponents. But even more important, though the stated objective of the legislation is to prevent the use of religion for mobilising political, specifically electoral support, the bills have been deliberately so drafted as to diffuse the focus on this vital objective by seeking to cover also parties and organisations which espouse causes related to caste, language and region. This exposes once again the spuriousness of the government's and the Narasimha Rao group's self-proclaimed efforts to counter the political offensive of the Hindutva forces. There is thus no lack of grist for the mills of the Left Front and the Janata Dal if only they can muster the will for effective action in parliament and, no less important, outside.

WORLD ECONOMY

Deepening Recession and Other Bad News

THIS is the season for the publication of the annual or periodic commentaries on world economic trends by international and multilateral agencies, such as the IMF's *World Economic Outlook*, the World Bank's *World Development Report*, the *Annual Report* of the Bank for International Settlements (BIS), the OECD's six-monthly *Economic Outlook* and annual *Employment Outlook* and the *Economic Bulletins* of the UN Economic Commissions for different continents. In recent years, there has occurred an increasing degree of convergence of the assessments, views and perceptions of these institutions on the working of the world economy, unlike in the past when their stances differed, particularly on the nature of the world economic order, based on each institution's assigned mandate and role. Now all of them sing the same song of the virtues of globalisation and the free multilateral trading system, and the need for developing countries to follow structural adjustment policies, holding out the success stories of a few Asian countries as examples to emulate.

Be that as it may, the latest issues of the above reports along with other pieces of information provide evidence of the disappointing macro-economic performance of the developed countries, the depressing social scenario in those countries and the inadequacy of narrow supply-side fiscal and tight-fist monetary policies to remedy the situation.

First, the current recession in the developed countries is proving to be much more intractable than expected. In fact, with the repeated downward revision of the forecasts of growth for almost all the leading economies, it is turning out to be the longest post-war recession. The IMF's latest *World Economic Outlook* has projected a modest real GDP growth of 1.7 per cent for all industrial countries in 1993 (from 0.2 per cent in 1991 and 1.5 per cent in 1992). This was based on an expected pick-up of the US economy from a growth of 2.1 per cent in 1992 to 3.2 per cent in 1993. But the more recent indications of consumer and business confidence, sales of new houses and trends in the index of leading indicators all show a renewed slow-down and overall US growth in 1993 is unlikely to be more than 2.5 per cent. The outlook for Europe and Japan has also weakened and thus the three principal poles of the industrialised world are all facing a synchronised deepening of the downturn.

The recession in the world economy is also reflected in a sizeable weakening of the growth of world trade. After increasing by 6.9 per cent in 1989, the growth of world trade decelerated to 4.4 per cent in 1990 and 2.2 per cent in 1991. In 1992, international trade was supported by a surge in Germany's imports following reunification and a further stimulus derived from reconstruction in the West Asia. There was a volume growth in world trade of 4.2 per cent in 1992, but the recession is reflected in an absolute decline in unit value realisation in SDR terms by 0.7 per cent in the year on top of a fall of 2.2 per cent in 1991.

Though there are country-specific and continent-specific issues concerning the current recession, including cyclical and structural ones, world economic growth and world trade have suffered drastically because of one overriding factor, namely, the ruthless monetary squeeze and disinflationary policies pursued by the authorities in every western country (with the exception of Japan) which is reflected in persistently high real interest rates, depressed levels of business confidence, considerable financial tensions and the need for extensive balance-sheet restructuring. There is no doubt that as a result there is the universal acclamation of the achievement of the industrialised countries in inflation control. But the contractionary policies and inflation control are reflected in a pervasive weakening of final domestic demand. The real income gains from lower inflation and reduced interest rates have been used to reduce debt rather than increase spending. Apart from household debt reduction in some of the countries, household consumption has been dampened by the slow-down in total earnings growth and the slackening of the demand for labour. Even as consumer confidence has been shaken due to increasing uncertainty about employment, fixed investment has generally remained sluggish due to high interest rates, deteriorating profits and bleak corporate sales prospects and, in some cases, the need to strengthen corporate balance-sheets.

It is significant that while tight monetary controls have been widely used to squeeze the inflation rate, none of the macro-economic imbalances in the industrialised countries (except Japan) has been resolved. Thus they continue to face large budget deficits, relatively high real interest rates, inadequate domestic saving rates, turbulence in foreign exchange markets, growing imbalances in current account deficits and surpluses and, above all, high and stubborn levels of unemployment. In this respect, these countries face a major dilemma. In fighting sluggish output growth, fiscal policy could not provide any stimulus partly because of the already high levels of public debt and partly because of the need to prevent an increase in interest rates and interest burdens. The prospective position in this respect is also bleak with the objective of debt stabilisation requiring further fiscal policy tightening in all industrialised countries with the exception of Japan. Amongst the industrialised countries Japan alone is in a position to pursue a policy of stimulating public investment. The contrast is very clear. While the US has faced allround sluggishness in domestic expenditure—household, corporate and government (also due to reductions in the defence budget)—Japan has retained the initiative of being able to deploy stimulative public expenditure; its public fixed capital formation rose by 6.7 per cent in 1991 but accelerated to 13.3 per cent in 1992 and is expected to see a rise of 8.9 per cent in 1993.

These macro-economic impulses are increasingly leaving behind a growing number of unemployed, reducing household earnings and imposing serious demand constraints on growth which the monetarist policies of industrial countries do not seem to take cognisance of. In the first place, despite a decade of uninterrupted economic growth, unemployment in most of the developed market economies at the end of the 1980s remained high and it has been further pushed up rather sizeably by the current slow-down in economic activity since 1990. Unlike in earlier recessions when slower service employment growth was confined to the cyclically sensitive trade and transport sectors, this time cutbacks have also affected the administrative staff of industrial enterprises and the financial services sector. This has been observed in several countries and can be attributed to automation and excess capacity in the financial industry. In the government sector, displacement of labour, particularly in defence and defence-related establishments, has worsened the unemployment scene. Showing acute concern over the bleak employment outlook for its 24 member-states, the OECD has estimated that their unemployment would rise to 36 million by 1994, a sharp rise of 46 per cent over the previous cyclical low of 24.5 million in 1990. Besides, in a large number of OECD countries, chronic joblessness or the proportion of persons unemployed for prolonged periods has shot up. The OECD report, therefore, acknowledges that, given the complexity of the unemployment problem, "even the best designed human resource development policies would provide only a part of the answer".

Apart from measured unemployment, there are a number of other disabilities which the labour markets have faced in the developed societies, leading to progressive erosion of purchasing power among the lower income groups. First, the OECD report suggests that a number of

people are either discouraged from looking for work owing to poor job prospects or are part-time workers who want to work longer hours. It is estimated that as many as 13 million people fell into these two categories in 1991 and that their number grew significantly in 1992. Secondly, part- and short-time employment, which were already rising during the recovery phase of the 1980s, has expanded significantly during the past two years. In fact a large proportion of all new jobs have been part-time, mainly in the services sector. This brings us to the third question of significant structural changes in the industrial economies where the importance of manufacturing employment has dwindled. Manufacturing and construction industries lost more than 2.6 million jobs in North America between the third quarter of 1990 and the second quarter of 1992 and 1.6 million jobs in western Europe during the same period. Today 70 per cent of America's GDP and 75 per cent of its employment are in the services sector. Apart from part-time jobs, the services sector is also known for harbouring a large proportion of low-paid jobs. With the loss of manufacturing, the loss of skills amongst workers has been a factor causing reduced average earnings.

These structural changes are reflected in growing inequalities among wage-earners. In the 1970s wage inequalities declined or were stable in most countries, but in the 1980s the gap widened in 12 of the 17 countries studied by the OECD. America and Britain experienced the most pronounced widening of wage differentials. In America, in 1980, the highest paid decile of workers earned 4.8 times as much as the lowest paid decile; by 1989 the ratio had risen to 5.6. In Britain the ratio increased from 2.5 in 1980 to 3.4 in 1991. Apart from the structural changes cited above, decentralisation of wage bargaining, increasing resort to performance-based pay, cuts in minimum wages and decline in union power have contributed to rising wage differentials in the market economies. As wage incomes constitute a large component of overall earnings in these societies, the rising labour income inequalities have tended to widen overall income inequalities. A study in the US has reported increased inequality in earnings for both men and women during the 1980s. Further, poverty rates prior to the grant of transfer incomes have increased. The greatest deterioration has occurred in the bigger cities which experienced large losses in manufacturing employment. In the case of the UK, the Labour Party's Commission on Social Justice has brought out that apart from growing inequality of incomes, there are now more signs of serious social deprivation. These developments are intimately bound up with the kind of economy Britain has built. By choosing to compete internationally as a low-wage, low-social-cost economy with little protection for labour, Britain under Conservative Party rule has fostered growing income inequality which has been made worse by the lack of success of the overall economic strategy. "Economic under-performance has become the trigger of social division, which in turn has created a labour force that is only capable of competing on price rather than skills—and so the vicious circle intensifies", according to the Labour Party Commission's report.

As income disparities are widening in the rich countries, the distribution of world income among different countries is also becoming increasingly unequal. For instance, as reported in the latest BIS report, 20 per cent of the world population (excluding China) with the highest per capita incomes received 58.3 per cent of world income in 1960 and their share rose to 64.6 per cent in 1990. At the other extreme, the share of the lowest 20 per cent of the population which was 4 to 5 per cent of world income in 1960 has steadily fallen. Secondly, despite so much talk of LDCs gaining from the supposedly open and free multilateral trading system, the terms of trade of the developing countries for their non-fuel exports, which had risen by 11 per cent between 1960 and 1975, declined by 20 per cent between 1975 and 1990, leaving these countries' share of world exports unchanged at slightly over 20 per cent throughout the past four decades. It is in such a hostile environment that countries like India are being brainwashed into adopting outward-oriented economic policies.

POPULATION

Do We Need a 'Policy'?

THE UN-sponsored International Population and Development Conference to be held in Cairo in September 1994 has given rise to much activity and interest among women's groups and other NGOs. Preparations are on to organise a parallel NGO meet on the lines of the one held with the Rio environment summit. An *ad hoc* international alliance of women's organisations, the Women's Alliance, has been formed and preparatory committee meetings (prepcoms) are already being held.

This interest comes in the wake of deliberate revival of the refurbished myth of the population bomb since the late 1980s. As early as 1985, the growth of world population was being seen as inimical to US security interests. Henry Kissinger's now well known memorandum to the US National Security Council has even exhorted policy-makers to employ development assistance and population planning "every bit as much as new weapons systems". The strategy of portraying population growth of third world countries as a security risk has prompted a number of initiatives including the recent trend of linking women's reproductive rights issues with the objectives of a population policy.

As a first step in countering this onslaught which is likely to be the major theme of the international conference at Cairo, the Women's Alliance, with the aim of having "women's voices heard" there, has prepared a women's declaration on population policy as a means of mobilising worldwide support for a critique of the official position which is likely to be taken at Cairo and influence and inform individual country positions there. The statement focuses on women's reproductive health and rights and calls for a "fundamental revision in the design, structure and implementation of population policies". It suggests that population policies must be responsive to women's needs and must be grounded in certain basic ethical assumptions: that women can and do make responsible decisions, that they have "individual rights and social responsibility to decide whether, how, and when to have children and how many to have". Such policies must seek to reduce and eliminate "pervasive inequalities", "support women's organisations committed to women's reproductive health and rights" and promote the development and provision of the widest possible range of appropriate contraceptives to meet women's multiple needs throughout their lives.

This declaration has however come in for some critical comment from some women's groups, especially from the third world. They do not accept the stand taken in the declaration of attempting to create a 'feminist ' oriented population policy, but instead question the very need for a population policy, pointing out that such policy has been and, given global power relations, will be sexist, racist and imperialist. They also point out that reproductive rights encompass the rights of each individual woman, while population policy is an attempt of governments and

It is regretted that the Review of Political Economy, which should have been a part of this issue, has had to be dropped on account of the ongoing revamping of our typesetting facilities.

aid agencies to impose their will on people and the two cannot therefore be reconciled This critique has also pointed out that the coupling of population policies and development aid has had disastrous consequences for women of the third world

The two statements also differ in their demand for women's health services The critique points out that what is lacking is an efficient and accessible health care system which caters to all aspects of health and not merely to reproductive and sexual needs of women which, centring as it does on women's reproductive functions, makes sense only in the context of a population policy

These two statements represent the extremes of the range of positions that women's movements all over the world have taken in the course of the last two decades If indeed the NGO forum is able to create a platform for discussion of the various points of difference and agreement in Cairo it will have accomplished a great deal even if the official conference is not influenced by these deliberations

PAKISTAN

Power Troika in Place Again

PAKISTAN has been through an extraordinary couple of months which have seen little government and a lot of political bargaining What adds piquancy to the situation is the army's role where it could have taken power once again, it was forced by circumstances to play the mediating role in resolving the constitutional deadlock between the president and the prime minister This may indeed be, as many commentators point out, because of the very definite signals from Pakistan's donor friends especially the US and Japan, that military rule would not be welcomed However, the fact of the revival of democratic aspirations, indicated in some measure by the massive preparations and enthusiasm for the opposition march to Islamabad which was called off at the last minute, cannot be dismissed as a factor in the army's actions

After Ishaq Khan's dismissal of the Nawaz Sharif government in April had been reversed by the Supreme Court, relations between the then president and prime minister went steadily downhill Several attempts were made by interested parties to resolve the situation Most of these, including one reportedly facilitated by Saudi interests, were aimed at keeping opposition parties especially the Pakistan People's Party (PPP), at bay and only appear to have made matters worse Ishaq Khan wanted his April dismissal to be adhered to by Sharif and for him to resign, while the latter wanted the president to lay down office in step with the Supreme Court's order overturning the presidential dismissal

While the army was not visible on the political front until July, it had obviously been kept in the picture In fact Ishaq's dismissal of the government in April was according to some commentators, blessed by the army However, given the circumstances, the army seems to have decided to play a mediating role It was clearly none too keen on going against the decision of the highest court of the land, nor could it ignore the vociferous and widespread demand for fresh elections Sharif on the other hand, even while he crowed about his triumphant return, could not ignore the pressures for fresh elections under a neutral government Even so, he seems to have tried his best to get the best of a bad bargain It was clearly the looming threat of thousands of opposition supporters descending on Islamabad, a situation he could not have coped with unless the army was brought in, that forced him to accept the 'suggestion' that he dissolve the National Assembly and resign

After the prime minister's resignation, the president too laid down office appointing a caretaker prime minister, Mooen Qureshi, a former World Bank vice president, and a cabinet has been formed Governors and chief ministers of the provinces have also been appointed, all of whom are either bureaucrats or army officers and none of whom can contest in the forthcoming elections in October Once the new government is in place the presidential elections will take place

There is, not surprisingly, a lot of confusion in the political scene right now—alliances are no doubt going to be formed and broken many times over before October The first major jarring note was the resignation of the PPP's secretary, who found the party's actions uncharacteristic and going against its avowed principles And certainly, while the PPP was the prime mover in planning the opposition march, its actions in April have to be called into question By supporting the president's decision it was tacitly accepting the powerful constitutionally prescribed role the president plays And Benazir Bhutto's capitulation to the request of the army chief to call off the march inevitable at that point of time no doubt, and her subsequent parleys with the army show that the power troika is well in place in Pakistan And the PPP is unlikely to attempt further changes in the scheme of things if elected The biggest sufferer of all this will be the movement towards institutionalising democracy apparently, no party or group of parties which makes it to the prime minister's office can afford to undo the set up Zia had put in place—unless there occurs a massive mobilisation of popular opinion for achieving this end.

TWENTY YEARS AGO

EPW, July 28, 1973

The union government is, to all appearances, on the threshold of a major shift in its general industrial policy There will be from now on increasingly less emphasis on the observation of the provisions of the Monopolies and Restrictive Trade Practices Act The government will lean over backwards to accord expansion of capacity to whoever asks for such expansion and to permit retroactive authorisation of capacity expanded without prior approval, all that will be necessary is an extra measure of liberalism while interpreting the new frame of policy announced last February There is not much foreign exchange to play around with, but, within the limits of this restraint, industrial enterprises will be allowed an additional latitude to import essential components, spares and materials Requests for new licences, it may be assumed, will be somewhat speedily processed, whatever the nature of the proposed industrial activity and not much will be heard on the theme of priority and non priority sectors Reports that a single, cradle to grave type of agency is on the anvil to oversee the entire gamut of formalities concerning new ventures, beginning with the issue of the letter of intent and going to the stage of arranging the required capital funds from public financial institutions, confirm the suspicion that the so-called socio-economic considerations, or what have you, are being ditched in a desperate bid to perk up the rate of industrial growth The induced bias in private investment toward activities marked by inordinately high short run profitability can be trusted to harm the cause of effective expansion of capacity in the more basic sectors A liberalisation of the rules and procedures can thus hardly provide an answer to the problem of industrial stagnation unless resources can be transferred from elsewhere. The government can forget about co-ordinated industrial planning and give up the paraphernalia through which it was till now trying not too successfully, to regulate the allocation of industrial capital By scuttling the present regulatory arrangements no additional resources are going to be created, all that will be achieved is a re allocation of given resources in a manner which statisfies the doctrinaire non egalitarians

Core Parenterals

CORE PARENTERALS, which has made a big success of its business of manufacture of intravenous fluids, having recorded a 21-fold rise in sales in five years from Rs 2.17 crore to Rs 45.37 crore with another 70 per cent leap reported in 1992-93 and an 82 times growth in net profit from Rs 11 lakh to Rs 9 crore in the same period, is expanding capacity and to finance the proposed expansion it is offering to the public equity shares at a premium of Rs 140. If the premium is exceptionally high, the company explains its EPS is impressive at Rs 24 as per the financial year ended March 31, 1993. "Based on the EPS for 1992-93 (annualised)," the company declares in its prospectus for the capital issue, "the P/E ratio in relation to the issue price of Rs 150 per share works out to 6.3 times, which is well below the composite P/E ratio for the pharmaceutical industry of 49". The comparison is not exact, since it is the multinational pharmaceutical industry to which it relates. For IV fluid manufacturing companies, the P/E ratio is less than half of that at 20.9 per cent. But the company has made it good and is demanding a price for it from new investors. It is also making a rights issue in fully convertible debentures which it is offering the shareholders for conversion into equity at a premium of not more than Rs 15. The company manufactures I V fluids in both large volume parenterals (20 ml to 1,000 ml range) and small volume parenterals (less than 20 ml) and has an existing capacity of 420 lakh bottles of LVP fluid per annum and 600 lakh bottles of SVP fluid per annum. It is now expanding this capacity respectively to 1,725 lakh bottles and 1,800 bottles. The bulk of the additional LVP capacity will be set up in a new plant at Viramgam in Gujarat, while all of additional SVP capacity will be installed at the existing location at Rajpur village. The company is also setting up a unit to manufacture 672 lakh intravenous sets and variants. The project is appraised by ICICI to cost Rs 161.70 crore. The company is issuing 52.59 lakh shares of which 24.73 lakh shares it is offering to the public and 21.03 lakh shares to the NRIs. The issue at Rs 140 premium is to net Rs 78.89 crore. Of the balance amount of Rs 82.81 crore of project cost Rs 18.83 crore is being raised by the rights issue of convertible debentures to the shareholders, Rs 34 crore by way of term loans and Rs 29.98 crore as internal accruals. The company has projected for 1993-94 a turnover of Rs 98.66 crore (up 117 per cent over 1992-93) expecting it to go up to Rs 210.57 crore by 1995-96, with post-tax profit to correspond to Rs 25.52 crore (EPS Rs 20) and Rs 64.16 crore (EPS Rs 31), respectively. Sushil Handa, Sunil Handa and B R Handa are the promoters of Core Parenterals. The company's capital issue opens on August 3 under ICICI Securities and Finance Company, IFCI and Bank of Baroda as lead managers.

Dintex Dyechem

Dintex Dyechem, which is manufacturing dyes and dye intermediates with a capacity of 510 tonnes per annum at Vatva, Ahmedabad, is undertaking a Rs 6.20 crore expansion by taking up manufacture of vinyl sulphone and reactive dyes with a capacity 1,200 tonnes of each of these. The project is appraised by Bank of India and it is being funded with Rs 5.20 crore of equity and equipment finance loan of Rs 1 crore. The company is issuing 26 lakh equity shares of Rs 10 each at a premium of Rs 10 per share and offering 20.50 lakh shares to the public and one lakh shares to banks' mutual funds. For the year 1991-92 the company earned a net profit of Rs 48.45 lakh on a turnover of Rs 8.04 crore. The turnover for 1992-93 was less at Rs 6 crore, as due to political turmoil in east European countries the company lost export orders worth Rs 6 crore It has since sought out markets elsewhere and secured orders for Rs 5.15 crore from Taiwan and Belgium. With the expansion which is to become operational this September, the company expects sales of Rs 18.67 crore for 1993-94, Rs 22.05 crore for 1994-95 and Rs 24.83 crore for 1994-95. Net profit is placed at Rs 1 88 crore, Rs 2.29 crore and Rs 2.95 crore respectively for these three years. The company is coming into the market on August 4 under BOI Finance as the lead manager.

Parasrampuria Plantations

Parasrampuria Plantations has acquired 2,700 acres of land 110 km from Bombay near Shahapur on the Bombay-Nashik highway. On this land the company plans to build 250 orchards and 500 cottages as part of a Rs 5 crore resort which is expected to be completed by October next year The company is offering various investment proposals relating to agro-industry. In November last year it had offered an investment opportunity in orchards and in February this year it launched a scheme called Green Earth Unit Series I. The company has now announced further investment schemes. Green Earth Unit Series II envisages an initial investment of Rs 2,500 and promises 15 per cent return from the first year to the 15th, at the end of which period the unit-holder is to get a teakwood tree, the expected value of which is claimed to be Rs 50,000. Both the returns and the capital appreciation will be tax-free. Under the Green Earth Vegetable Garden Units, the investment will be for five years. Each unit envisages an investment of Rs 15,000/Rs 25,000 for a vegetable garden of 500/850 sq ft respectively. The unit-holder is promised 18 per cent returns tax-free, paid every six months. At maturity the investor gets back his money with 5 per cent appreciation. The company's Little Woods resort will consist of orchards and cottages. An investor investing in a cottage will own the cottage and is promised his investment back in 15 years plus teakwood trees which, it is claimed, would give him an income three times the value of his investment. Cottages range in size from 540 sq ft to 1,100 sq ft and in price from Rs 2.90 lakh to Rs 7 lakh. Under Orchard Phase II, the orchard-owner owns his plot of land and is promised 150 per cent tax-free agricultural income during 15 years and at the end of that period teakwood and rosewood trees planted in the orchards. The orchards range in size from 10,000 sq ft to 1,00,000 sq ft and in price from Rs 1.95 lakh to Rs 13.70 lakh.

CIDCO's Seawoods Estate

CIDCO, a Maharashtra government undertaking especially set up with a flexible and autonomous company status to plan and develop the New Bombay metro centre which has so far constructed over 90,000 dwelling blocks and spent over Rs 2,000 crore in development expenditure, has planned to build an exclusive residential complex covering an area of 58 acres mainly for NRIs at Nerul in New Bombay where the most elegant and contemporary style of apartments/penthouses have been designed. The site, which is a short drive from the central business district being developed at Belapur and about 10 minutes walk from the Nerul railway station, is to be connected to Radio Club near Gateway of India Bombay by a water transport facility just half a km away, in addition to an existing 60 mtr wide Eastern Express highway with a 10 mtr wide service road on either side which directly connects the site with the fully developed Vashi node. The complex, to be christened Seawoods Estate and designed and planned by a well-known firm of design consultants "Architect Hafeez Contractor" from Bombay, will consist of 1,134 elegant apartments including 102 duplex penthouses with an option regarding parking space. The well-connected apartments comprising of well-designed and planned kitchen, living and dining areas and a range of two to four bedrooms, will be located in 12-storey high towers linked by podiums and terraced lawns, the upper terrace being common and designed as an amenity deck.

The other facilities to be provided include approximately 15,000 sq mtrs of green landscaping surrounding with man-made waterbodies, mounds, downs and meadows to avoid any monotony in the landscape, an extensive well-designed recreation ground for children situated away from the traffic area, a club house with a swimming pool, a promenade along the seaface and a convenient and modern shopping arcade and a school within the layout. Other facilities like super markets, cinema halls, medical facilities, are situated in close proximity to the site.

NRIs, foreign citizens of Indian origin who have held Indian passports at any point of time, or whose father or grandfather was an Indian citizen and Indian companies with foreign collaboration, are eligible to apply. The sale prices ranging from US $ 47 to $ 50 per sq ft are to be paid only in US dollars in six instalments over the construction period of two and a half years till December 1995 after which, barring unforeseen circumstances, possession will be given to the buyers in a phased manner during the first half of 1996. For those interested in this excellent scheme, a detailed informative booklet is available at designated branches of State Bank of India located in London, New York, Dubai, Hong Kong, Singapore and Bombay. Booking will be done on first-come-first-served basis

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Profitable Acquisitions

Jairaj Kapadia

BROOKE BOND INDIA, having come in the Lever fold and under the same chairman, S M Datta, has shown an urge for acquiring going companies. Hindustan Lever is taking over the second largest company in its field, Tata Oil Mills Company. Brooke Bond during 1992 took over Kothari General Foods Corporation under a scheme of rehabilitation-cum-amalgamation which was sanctioned by the Board for Industrial and Financial Reconstruction. It has since succeeded in acquiring UB group's Kissan Products by purchasing 10,712 equity shares of Rs 100 each representing 67 per cent of the share capital of the company. Meanwhile the boards of Tea Estates India and Doom Dooma India have unanimously approved the proposal for amalgamation of TEIL and DDIL with Brooke Bond with effect from January 1, 1993. The proposal has been approved by the shareholders of the three companies and is awaiting sanction of the High Courts at Calcutta, Madras and Guwahati. The proposed amalgamation is expected to bring in economies in Brooke Bond's operations and accelerate profitable growth.

In the meantime, the amalgamation of Kothari General Foods, as this was a sick company, has earned Brooke Bond tax benefits, with the result that, while its gross profit for 1992 has shown a modest improvement from Rs 6,750 lakh at Rs 6,953 lakh, the net profit has amounted much more at Rs 4,299 lakh compared to Rs 3,475 lakh in the previous year. With earnings per share increasing from Rs 5.90 to Rs 7.30, the dividend, which in the previous year on the bonus-increased share capital was declared at Rs 3.60 per share against Rs 4 for the year 1990, is now restored at Rs 3.90 per share. Kothari Foods having a capacity for manufacture of instant coffee has served to enhance Brooke Bond's export of such coffee by augmenting the existing capacity. With new markets established in CIS countries for both tea and coffee, the company's exports increased 55 per cent to Rs 7,444.08 (fob) and yielded a surplus of Rs 6,175 lakh in foreign exchange earnings after allowing for an expenditure of Rs 1,269 lakh. Value added exports amounted to Rs 6,233 lakh against Rs 4,120 lakh in the previous year.

A shortfall in the tea crop during 1992, coupled with aggressive buying by CIS countries, resulted in a sharp increase in prices towards the end of the year. While the advantage of this is reflected in a 6.9 per cent growth recorded in sales turnover, it is to accrue still more in this year. And particularly so since the company has broadened the base of its operations with the acquisition of other companies. At the same time, in the domestic market, in order to cover growing rural markets, the company is availing of its network of support dealers to supplement direct selling of its products. It made in September 1992 a national launch of noodles manufactured by Indo-Nissin Foods with encouraging results. There has been an appreciable change in the long-term component of the company's loan funds. With Rs 3,465 lakh of term loans from banks and financial institutions and issue of Rs 52.62 lakh of debentures, there has been an accretion in long-term borrowings, whereas with a decline in bank overdrafts from Rs 4,655 lakh to Rs 1,424 lakh, short-term borrowings have come down.

The Week's Companies *(Rs lakh)*

Financial Indicators	Brooke Bond		Jay Shree Tea		Wartsila Diesel	
	December 1992	December 1991	March 1993	March 1992	December 1992*	March 1991
Income/expenses/profits						
Net sales	68351	63913	12643	13357	5477	8157
Excise duty	1734	1637	545	606	--	—
Other income	1465	1305	1440	2447	239	94
Increase (decrease) in year-end finished stock	(1640)	(253)	901	(260)	663	364
Raw materials consumed	35481	35359	3840	3868	5096	6413
Power and fuel	663	364	762	664	--	—
Other manufacturing expenses	6624	5379	1257	1245	43	40
Labour cost	4250	3661	3549	3230	134	136
Other expenses	12684	11452	3120	3376	508	758
Operating profits	8474	7749	2333	3196	599	1268
Interest charges	1521	999	641	590	329	218
Gross profits	6953	6750	1692	2606	270	1050
Depreciation	554	275	466	576	116	143
Profits before tax	6399	6475	1226	2030	154	907
Tax provision	2100	3000	620	1175	23	417
Profits after tax	4299	3475	606	855	131	490
Dividends	2296	2119	200	200	112	150
Liabilities/assets						
Paid up capital	5887	5887	615	615	1000	1000
Reserves and surplus	5045	5238	6589	6199***	716	699
Long term loans	3797	269	2764	2502***	1192	765
Short term loans	5728	7325	994	1433	1776	285
Other liabilities	11167	9195	4116	3287	3143	4473
Gross fixed assets	8281	4241	11689	11367	1873	1805
Accumulated depreciation	3899	2431	5829	5402	481	365
Inventories	14523	14429	3674	2878	3353	3020
Of which finished goods	4990	6630	1971	1070	1238	575
Receivables	1453	1295	1440	1179	1667	1152
Loans and advances	3578	2442	3253	3171	959	1164
Cash and bank balances	4523	3208	209	281	41	416
Investments	440	1793	509	550	391	—
Other assets	2727	2936	133	11	26	29
Total liabilities/assets	31625	27914	15078	14036	7828	7222
Key financial ratios						
Turnover ratio	2.16	2.29	0.84	0.95	0.93**	1.13
Return on sales %	10.17	10.56	13.38	19.51	6.57**	12.87
Return on investment%	21.99	24.18	11.22	18.57	4.60**	14.54
Return on equity (%)	39.32	31.24	8.41	12.55	10.18**	28.84
Earning per share	7.30	5.90	9.83	13.87	1.74**	4.90
Dividend (%)	39	36	32.50	32.50	15	15
Book value per share (Rs)	18.57	18.90	82.89	75.49	17.16	16.99
Current market price	295	–	280	—	67.50	—
P/E ratio	40.41	—	28.48	—	38.79	—

* For nine-month period
** Annualised
*** Includes any short-term dues of which break-up not given

JAY SHREE TEA

Lower Production and Sales

Like Brooke Bond, Jay Shree Tea and Industries has also had during the year ended March 31, 1993 improved average sale realisations for varieties of its tea and could exploit the emerging CIS markets for export. But due to a lower production of 1,46,26,957 kgs (1,48,15,938 kgs in the previous year) and a still lower quantity sold at 1,41,10,493 kgs (1,55,41,962 kgs), the year's financial results have shown a setback. The main reasons for this, according to the directors, are: (1) inclement weather retarding crop harvesting in some of the tea estates (in south India, Darjeeling and Sibsagar district); (2) all-round increase in costs and escalation in wages; (3) shortfall in plywood prices to cover enhanced costs; and (4) adverse freight rates and escalation in wages affecting profitability of the shipping unit.

Jay Shree Tea is a diversified company, although it is very much embedded in tea. For instance, it owns also fertiliser units, two of which are at Khardah in West Bengal and one in Gurgaon in Haryana. All the three units are making phosphate fertilisers, the sale and prices of which were decontrolled from the end of August-1992, together with the withdrawal of the subsidy. Prices of single superphosphate fertilisers registered a sharp rise after decontrol, which affected offtake. However, the two units at Khardah reported increased production of SSP fertilisers and also despatches respectively of 1,30,264 tonnes and 1,12,484 tonnes compared to 1,10,796 tonnes and 1,14,111 tonnes in the previous year as production of sulphuric acid was more at 47,969 tonnes compared to 40,106 tonnes and so also despatches at 1,009 tonnes compared to 100 tonnes.

The directors have taken an optimistic view of the prospects for the company on the basis of its business in tea. Tea exports during 1992-93 were a record at Rs 343 lakh. Quality improvement is assumed as a key thrust area for the current year while the rupee's full convertibility is expected to give a further boost to tea exports. Despite the setback in financial results, the directors have thus maintained the dividend at Rs 3.25 per share for the year 1992-93

WARTSILA DIESEL

Closer Integration

Wartsila Diesel India has changed its accounting year to close in December against March earlier The directors say this is done in order to simplify the financial reporting to the collaborators, Wartsila Diesel, Finland, and to the group's product companies as well as to harmonise the company's budget and action plan with that of the group and present a common identity with the group's goals and objectives All this shows that in consequence of the globalisation spirit which now characterises the government's fiscal and economic policies, Wartsila Diesel India has sought to integrate itself with the Wartsila Diesel group Yet it has become during 1992 a victim of the cutback in government spending in order to control fiscal deficit. The company's financial results for the period of nine months are poor And the cause of it is the drastic reduction in government expenditure.

This resulted, according to the directors, in lower demand from many large process industries which are the company's customers This was particularly the case of the cement industry where the company's present strength of 430 MW of diesel power generation is installed In the period under review a further 30 MW of power plants were commissioned. But the demand constraints combined with extremely high cost of capital compelled most industries to delay investment plans and the company's order intake suffered resulting in a lower turnover. The rupee's unfavourable exchange parity reduced the margins while the funds squeeze drove interest costs up and due to a combination of these factors profits were lower. Nevertheless, the directors have maintained the dividend at 15 per cent annualised, declaring it at the rate of Rs 1.125 per share for the nine-month period.

But the company, headed by Mantosh Sondhi, sees opportunities for itself in the new government policies. By dovetailing with the Wartsila Diesel group as observed earlier, it has received with the support of its collaborators a major export contract for delivery of seven engines aggregating 32 MW to the Philippines, shipments of which are to be completed in the first half of this year. This is said to open a new dimension in the company's export prospects for the future. It has also received orders for special application captive power plants using biogas for conversion to electrical energy, again a new opening. Import liberalisation has facilitated fulfilling varied application needs from the Wartsila Diesel group's portfolio of engines. In fact, the company made a breakthrough in securing an order for a large Vasa 46 captive power plant for import from Finland.

It also received a repeat order for nuclear standby generating sets. Efforts are continuing for supply of engines for marine applications. Privatization in power utilities and the incentives offered to attract foreign investment in the power sector are further areas of new opportunities for the company. It earned during 1992 foreign exchange worth Rs 32.10 lakh, Rs 22.50 lakh of it by deputing service specialists on overseas assignments, while it expended foreign exchange worth Rs 2,700 lakh.

The company made investment of Rs 377 lakh in Units 1964 of the UTI whose value at the close of the year is put at Rs 391 lakh. This earned a dividend income of Rs 62 lakh as against which interest income has gone down from Rs 35 lakh to Rs 14 lakh. However, the dividend earned on UTI units and a refund of Rs 62 lakh of customs duty of earlier year, together with increased duty drawback of Rs 58 lakh against Rs 34 lakh in the previous year, have gone to boost 'other income' from Rs 94 lakh to Rs 239 lakh. This, in turn, has gone to raise the year's profits. Capital work-in-progress, forming part of gross fixed assets, has shown a substantial increase from Rs 6 lakh at Rs 28 lakh.

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This fellowship has been instituted in memory of Dr. Vibhooti Shukla, who died in a freak accident on August 8, 1992, through an endowment created by her family It will be awarded annually to scholars in India and abroad for doing research at the Indira Gandhi Institute of Development Research (IGIDR) as Visiting Research Fellow for 6-9 months, in any of the following areas, with primary focus on the Indian situation. (i) Urban Economics (ii) Urban Development Policy and Perspective (iii) Urbanization and Regional Development (iv) Environmental Consequences and Energy Requirements of Urbanization.

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Calcutta Diary

AM

Planning is dead, the apparition of national self-reliance has been successfully put to the sword. A bonfire has been made of all the ideas Mahalanobis stood for. The prime minister could now afford to be expansive in his homage to the man. Neither dead men nor murdered ideas would, hopefully, rise in combat.

THE audacity of little men. Grammarians to a fault, they will not let any historical occasion not being made use of. The centenary of P C Mahalanobis's birth had to be observed, not for history's sake, but for their own. They were present with their subalterns when the year-long ceremonies got going. The Indian Statistical Institute is an institute of 'national importance'; the statute says so. Do they not, *ipso facto*, represent the nation? They therefore have the prerogative to exploit to the hilt the external economies the Mahalanobis celebrations offered. There could be no question of their not daring to dare; the necessary courage could be borrowed, much like the country's accumulated pile of foreign exchange. They came to praise the Professor while making sure that each of the goals he had set his heart on remained aborted. As is now well known in the neighbourhood, native hypocrisy and imported bravado make for a hideous nostrum.

All told, it was a command performance, intended to gladden the heart of those who now take the basic and crucial decisions on this nation's economic policies, for the edification of themselves and their *compradors*, from distant shores. Mahalanobis's ideas have, for long years, laid buried several fathoms deep. That has not, repeat not, been the doing of an autonomous process. Those in the helm of affairs have gone about the job with a rare thoroughness. The prime minister could thus avail of the opportunity the centenary occasion provided to make short shrift of planning and the objective of self-reliance. It was time, his stentorian voice informed the assembled cynics, to dispense with ideology, which was, with great courtesy he rubbed it in, Mahalanobis's Achilles' heel. That megalomaniac academician loved his country, he believed in the potential indivisibility latent in the vast reserve of natural resources that waited to be exploited. Men like him are dangerous. In case they had their way, they would ensure the nation's emergence as a strong economically independent entity. That danger, thank providence, has passed. Certainly for the next half a century or thereabouts, India stood little chance of extricating herself from the external debt trap. The trusteeship of the G-7 countries would therefore continue; follies such as trying to sign cryogenic engine deals in violation of the Missile Technology Control Regime would be brought home by the masters. Whether this skewed sort of equilibrium is sustainable for any length of time, given the tenuous domestic circumstances, is a question that is incapable of detaining small minds. The prime minister and his entourage are happy with the immediate denouement: planning is dead, the apparition of national self-reliance has been successfully put to the sword. A bonfire has been made of all the ideas Mahalanobis stood for. The prime minister could now afford to be expansive in his homage to the man. Neither dead men nor murdered ideas would, hopefully, rise in combat.

To be fair, the sabotage is not of recent occurrence. It started in the decade of the fifties itself, when Mahalanobis was, going by appearances, much the central personality in the domain of policy formulation. Appearances were deceptive. Even at that particular juncture, finance ministers were much abroad. One snatch of memory is eminently reportable. The Professor had the basic data at his fingertips; his syllogisms were without a flaw: he had worked out the inter-industry linkages; he had arranged to have the unit cost calculations done at different levels of capacity utilisation and under different assumptions. Three steel plants with rated capacity of two to two-and-a-half million tonnes were both necessary and viable. The Professor had convinced Jawaharlal Nehru. The bureaucratic resistance had collapsed. The foreign and private sector lobbies had started to get themselves accustomed to wearing long faces. Never, never, never, never, ever however say die. The ministry of finance was well versed in the knowledge that tomorrow was another day. The incumbent finance minister had a civil service background, with a distinguished tutelage under the British. He was, in addition, addicted to quoting Sanskrit scriptures. Mahalanobis, a mere academic, could not possibly be allowed to have it all his way: the prestige of the colonial heritage was at stake. The finance minister gleefully described to his cronies how he put the first spoke in the wheels. The theoretical exercises on inter-industry linkages were all right, but, as minister of finance, he had the moral obligation to take a second look at the projections of demand; after all, with the Korean war petering out, was not a global depression looming, what use would there be for all this steel, the nation could not eat up six or seven million tonnes of steel every year, year after year; why should we then unnecessarily produce them? Someone had to act as spoiler of the fun irresponsibly set in motion by Mahalanobis. The finance minister's happiness spilled over; he, as the minister responsible for husbanding the nation's resources, did it, he put the first spanner in the works. He demanded fresh calculations of the values of the parameters involved on the demand side of the equation; the projects were as a result stalled for more than a year. The finance minister could have danced all night. He had succeeded, even if for only a while, in blocking the nation's economic advance. His cronies must congratulate him; most of them did, barely a few slank away. It is a small footnote to the chronicle of the times that some years hence this same minister, now without a job, accepted a sinecure position offered to him by the Professor. Magnanimity was the latter's revenge.

Those were nonetheless heady days. Pinpricks were clearly not enough to waylay the Professor. He was not wont to give vent to his emotions in the presence of outsiders. Even so, a good bit of his will-power was propelled by patriotic emotions. He did not flinch from recourse to the weaponry of contempt either when such contempt was called for. Another bit of memory lingers. A meeting of the Planning Commission, with Jawaharlal Nehru presiding, to discuss the contours and contents of the Mahalanobis plan-frame. A pigmy of an Englishman, a former member of the Indian Civil Service, had imagined that the Indian pasture was still eminently grazeable even following the formal transfer of power. He stayed back. His decision was applauded by the national leadership with expression of sentiment that was a pot-pourri of neo-colonial fervour and faith in universal brotherhood. The gentleman continued to flourish, and was duly made an advisor to the Planning Commission. He was scandalised no end by the Mahalanobis projections; the scale was much too wide for his taste. What madness was this;

India should remain a polite and humble country; the western nations had the wisdom and the expertise; they were willing to extend their benign hand of cooperation; courtesy should beget courtesy, such kindly gestures deserved to be reciprocated by squeamish deference. If India were instead to compete with these countries in the manufacture of basic industrial goods, why, the latter would have good reason to take offence; once India embarked on wild silly adventures, epitomised by grandiose five-year plans with targeted annual rates of growth of 5 per cent or therabouts and a programme placing emphasis on the necessity to produce machines to produce further machines so as to attain complete self-reliance, the country would in no time end up in a mess. It would also in the process squander away the precious sterling balances the benign imperial government had so generously allowed it to accumulate during the war years. Mahalanobis did not turn a hair; he listened. Once the imperial peroration was over, he focused his full fury on the person. He knew his facts, he was in total command of his premises and hypotheses; he was, besides, a proud Indian. His clipped sentences did not for one moment get derailed from the integrity of either thought or syntax. There was nonetheless the unmistakable ring of patriotism in his voice. The colonialists had done enough harm to this country for two centuries; it could now do without them; it had now, the pommies ought to know, a different kind of agenda, aimed to replace economic retardation by economic growth; in case imperial mind-sets encountered some difficulty in adjusting to the notions of accelerated development and social justice and full employment in India, would it not be better if they made themselves scarce.

Perhaps there is a dividing line between scorn and contempt. On that afternoon in that building on Parliament Street at that session presided over by a bemused Jawaharlal Nehru, the dividing line however became both irrelevant and indecipherable. The pommy squirmed in his seat; his red face turned redder. But he was a battle-scarred journeyman; he also read his personal horoscope well. He withdrew to East Africa where the colonies were to exist for a few more years. He picked up a few thousand hectares of lush farming land, and turned himself into a gentleman-farmer. When the country he had settled in had to be conceded its independence in the sixties, the gentleman had to be compensated for his recently acquired property. An international financial institution, you know which one, worked out an extraordinarily generous schedule of compensation and bulldozed the national government, not yet quite sure of itself, into accepting its provisions. Negotiated freedom had to bear such crosses. This chore of transfer of land and corresponding transfer of compensation money could not be left to the superintendence of the natives; they had got their independence all right, but what did they know of the complexities of economics and accountancy. The international financial institution had to guide and monitor this particular operation. They needed experienced men for the purpose. The former member of the Indian Civil Service, the erstwhile advisor to the Indian Planning Commission, the too-recent gentleman-farmer who had acquired the right to be compensated, ideally fitted the job description. He was therefore inducted into the international financial institution, and advised it on how to continue to squeeze the surplus out of the East Africans even after they had, at least nominally, received their freedom. His passion for the raj however did not ebb away; when Indira Gandhi declared her Emergency, he wrote to the London *Economist* in fulsome praise of the lady's decision, was she not a real empress in the making, and would she not recall the imperial administrators?

It took some more while, but, finally, East Africa has come to India. The colonials, manning the ramparts of the international financial agencies, have taken over the country. They have liquidated planning and five-year plans; the building which housed the Planning Commission still exists, but the conference rooms are all deserted. Some routine essays continue to be written, but planning has been abandoned both as a modality and as a goal. The public sector is scuttled, development outlay is cut back; that does not however mean that those inclined to indulge in the pastime of constructing plan models are to be discouraged. The Mahalanobis centenary should, however, marginally, therefore augment the flow of research funds which could go as input towards the formulation of whimsical models with far-out assumptions. Neat-looking papers, heavily cluttered with difference equations and matrix algebra, will get composed; some of these will, after varying periods of waiting, no doubt get published in this journal. The homage to Mahalanobis will thereby be considered as duly accomplished.

The rituals could not be faulted. The inauguration of the centenary celebrations by the nation's prime minister, no less, and twenty- or thirty-odd research papers to be churned out at the end of the year; the collective conscience should be adequately assuaged. Meanwhile, the objective of self-reliant growth would be even more comprehensively ditched. Availing of the occasion, and overcome by a sense of history, the prime minister was expansive enough to let the nation into the secret: ideology was *passé*, and from now on it was the epoch of private initiative and globalised intercourse.

We are thus officially listed as a dependent nation; our present rulers are determined to ensure that we do not stray away from that destiny. According to statisticians, during the first five decades of this about-to-end century, the per capita income in the country had remained invariant. It was, in other words, a state of economic stagnancy. In the nineteenth century, when colonialism and imperialism were in fullest bloom, there was actually, the same statisticians suggest, a perceptible economic retardation, that is to say, a substantial fall in per capita income. Perception of this phenomenon had inspired Dadabhoy Naoroji to launch his drain theory. We are back to the nineteenth century, even if the calendar says we are on the threshold of the twenty-first. The calendar can be misleading, as misleading as the celebrations currently on to offer tribute to the memory of Prasanta Chandra Mahalanobis. The intent is not to praise him, but to ridicule him. Were they still around, the finance minister of yore, and those bureaucrats of the colonial era, could indeed have danced all night.

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Discussing Economic Reforms

Achievements and Future Intent

JM

In complete contrast to the main presumption of the finance ministry's 'discussion paper' on the economic reforms, that stabilisation has been achieved and that the path is now clear for long-run 'structural adjustment', the conclusion must be that the policies so far have at best landed the economy into a precarious steady state where inflation has been moderated at the cost of accepting negligible growth and, even then, continuation of the present situation depends critically on the fickle generosity of the rain gods and the aid donors.

THE ministry of finance has in the past two years often been criticised for being less than open about its economic policies. Indeed, the impression has got around that it discusses policy only and secretively with aid donors, presenting parliament and people in India with decisions which are not only in the nature of *fait accompli* but also partial because the government is wary of stating its strategy in full since this would show that it has accepted *in toto* the broad contours dictated by the IMF and the World Bank as revealed in their past reports. Therefore, the release recently of a discussion paper entitled *Economic Reforms: Two years After and the Task Ahead* in which the government has assessed its own policies and, more importantly, outlined its medium-term future strategy should be welcomed by all those who value open government. Not only is this a major departure from past practice, but the document itself is sufficiently important to merit much more attention and informed response than it has received so far. In fact, apart from carrying the usual press handout, the media has largely ignored the discussion paper.

This reticence on the part of media buffs who are usually quick to respond to any government policy statement is surprising, but probably understandable given that the headlines recently have been about political and not economic issues. In general, there appears to have been a certain diminution of interest in economic matters both among the liberalisers and their critics. The pre-occupation of government with other matters has meant a slow-down in the pace of 'reforms', and, after Ayodhya, the opposition parties has also been less willing to press on with the economic debate. Indeed, given this inertia and the sense of political instability all around, a moot point is why the government chose this time to publish a frank and fairly lengthy discussion paper. The answer is clearly not that this is simply the finance ministry's contribution to the celebration of Narasimha Rao's completion of two years in office: the paper is potentially too controversial and, although self-congratulatory, its style is not gushingly laudatory enough. Indeed, there is a distinct sobering of tone even when compared to the finance ministry's own pre-Budget *Economic Survey* earlier this year.

The contents of the discussion paper fall into two parts: the first is the by now well known routine employed to justify the past 'reform' effort, and the second, more interesting part, is to make public the agenda for further 'reform' during the remaining three years of this government's normal term in office. Neither part contains much surprise: the first is the by now shop-soiled litany of how the government inherited an economy on the edge of default and turned it around so that both the balance of payments and inflation are now under control; and the second is largely a rehash of what once used to be confined to the grey cover reports of the World Bank, repeated of course by the few local commentators who did honestly share that view, but which in the past two years has become a mantra preached *ad nauseam* by almost the entire tribe of journalists and academics who wish to be on the 'right' side.

Yet, the paper needs to be discussed, not only because failure to do so would be construed as a walk-over, but mainly because the paper is interesting in that it does contain some indicative targets whose consistency merits attention. There are also certain subtle ways in which it differs from past pronouncements of individuals and committees spearheading the 'reform' process. Most importantly, it is almost certain that the agenda outlined in the discussion paper is essentially a sneak preview of the conditionalities likely to be attached to the Extended Fund Facility (EFF) loan which the government, after a bout of bravado a few months back, has finally decided to seek from the IMF. That this is in fact the case is suggested strongly by the high degree of overlap between the further 'reforms' envisaged according to this document and those already promised by the finance minister to the World Bank in the context of an External Sector and Investment Liberalisation Programme Loan, as well as official recognition in the IMF of this discussion paper as the indicator of future policy. It is also fairly obvious that the purpose of the discussion paper in this context is a two-track one: to 'soften-up' domestic public opinion in an effort to build up at least a facade of consensus while, simultaneously, signalling to the donors that the government is confident that it can muster enough support to implement the package of measures which might be demanded as the quid pro quo for the EFF loan and other structural adjustment funds that the government intends to seek.

Evaluating the Reforms So Far

The section of the discussion paper entitled 'The First Two Years of Reform', which reviews the policies undertaken since June 1991, makes up about half of the contents and is predictably upbeat. The main claim made in this section is that the government which "took office at a time when the country was in the midst of unprecedented economic crisis and socio-political turmoil" was able through "immediate and swift action to restore international confidence in the economy and redress the imbalances which had emerged both in external and domestic financial conditions". The claim is buttressed by familiar statistics: the fall in the annual inflation rate from 17 per cent in August 1991 to 7 per cent by the end of 1992-93; the rise in foreign currency reserves from just over $1 billion to $6.4 billion; the recovery in the rate of economic growth from just 1.2 per cent in 1991-92 to an estimated 4 per cent in 1992-93; the increase in approvals of foreign direct investment to $3 billion in the period since August 1991; and the stability of the foreign exchange value of the rupee after the shift to 'full convertibility' on the trade account. According to the discussion paper, "these favourable macro-economic outcomes were a product of both the emergency stabilisation

measures undertaken by government and the initiation of a medium-term strategy for consolidating hard won macro-economic stability and undertaking long overdue structural reforms in the foreign trade and payments regime, the tax system, industrial policy and financial and other sectors".

Much of the section is devoted to outlining these reforms and stating their rationale. Thus, under the head 'Correcting Fiscal Imbalances', the high and rising fiscal deficits during the 1980s are identified as a major villain which simultaneously caused high inflation, large current account deficits, high interest rates and low international competitiveness; and due credit is taken for its reduction from 8.4 per cent of GDP in 1990-91 to 5.7 per cent in 1992-93 and to a targeted 4.7 per cent in 1993-94. Under 'Reforms in Industrial Policy' comes the familiar claim that industrial licensing, MRTP laws, reservation of industries for the public sector, and restrictions on access to foreign technology were all holding back private investment and contributing to inefficiency; and credit is taken for the virtual abolition (except in a few cases) of all such restrictions on the private sector. Under the title 'Trade and Exchange Rate Policies', India's earlier import protection regime is blamed for causing inefficiency by suppressing the benefits of trade and accused of discriminating against agriculture and exports. The government's initiatives in this sphere are presented as "a bold programme of reform in a sequence of steps" moving through Eximscrips and 'partial convertibility' to the present regime where the exchange rate has been unified, quota restrictions on imports virtually eliminated (except on consumer goods), and duties reduced. Under 'Foreign Investment Policy', comes the view that such investment is a non-debt inflow which is widely welcomed throughout the world for the linkages it can provide to international technology and markets; and the government's contribution here is identified in its having been able to remove various legal and bureaucratic hurdles in bringing the terms offered to foreign investors closer in line with current practices elsewhere in the world. On 'Tax Reform', the basic philosophy of moderate rates, broad tax base and fewer exemptions is reiterated, and progress on the implementation of the Chelliah commission report recounted. On 'Financial Sector Reforms', the Narasimham committee's views are endorsed and the securities scam said to reveal the weaknesses of the banking sector which is identified as being "over-regulated and under-governed". Lack of transparent accounting, multiple regulated interest rates and a deteriorating assets base are identified as the main ills of the banking system. The achievements claimed include new accounting and capital adequacy norms for banks, reduction in the SLR and higher interest on government's market borrowings, provisions for recapitalising the public sector banks including both direct government finance and permission to these banks to issue new equity in capital markets, removal of restrictions on the growth of private sector banks, and moves towards deregulation of interest rates along with a strengthening of the RBI's supervisory system. In the case of capital markets, the purpose of reform is identified as a move away from direct government control over volume and pricing of issues to a more market based system subject to closer regulation by an independent authority. The abolition of the office of Controller of Capital Issues, the setting up of the Securities and Exchange Board of India (SEBI), and the decision to allow private sector mutual funds and foreign institutional investors subject to SEBI regulations are the main achievements claimed. As for 'Public Sector Reforms', the purpose of reforms is defined as increasing the efficiency of public sector units (PSUs) and to stop all budgetary provision to such units whether to cover losses or to finance expansion. This section is, however, rather short on achievements claimed, these being the amendment of the Sick Industrial Companies Act to bring PSUs within the jurisdiction of the Board for Industrial and Financial Reconstruction (BIFR), sale of public sector equity, and intent to allow PSUs greater flexibility in pricing and equity issue.

The noticeable features of this list of 'structural reforms', and of the rationale given for them, are, first, that they constitute a rather mixed bag selected on the basis of what the government obviously considers to be its 'successes'; secondly, that assertions dominate over argument on the desirability of the various 'reforms'; and, third, that there is a remarkable degree of dogmatism so that there is never any hint of complexity at all about any of the assertions made. Thus, on the issue of selectivity for example, the entire discussion of the fiscal deficit is devoid of any distinction between its components, the revenue deficit and public investment (which by now is familiar even to most laymen), presumably to hide the fact that there has yet been no cut in administrative waste and that the axe has fallen hardest on public investment. The section on industrial policy makes no mention at all of the contentious area of industrial exit, or of industrial restructuring, although this is clearly crucial. The section on trade and exchange rate policy makes out that there was a planned sequence in the move from Eximscrips through 'partial convertibility' to the present combination of an unified exchange rate and no import licensing, whereas in fact the first stage in this sequence was clearly a detour because the present regime is nothing but the pre-reform regime with a much wider list of goods on OGL. And the inclusion under public sector reform of the sale of public sector equity to bolster the budget is clearly a *non sequitur* resorted to only because there is nothing positive to write about on the matter.

As to the validity of arguments advanced, the substantial issues regarding the logic of 'reforms' are considered below while discussing the agenda for the future. It is sufficient to note here that, just as the list of reforms is drawn up so as to show up 'successes' even where there are none, the arguments advanced are not particularly sophisticated but do have that ring of plausibility which sounds good from the pulpit. Clearly, the whole purpose of the exercise is propagandist: to argue that things have gone according to plan so far and, with short-run stabilisation achieved, the government must concentrate 'boldly' on a programme of 'structural adjustment' based on these and further 'reforms' which need to be completed "in the shortest possible time".

The main point which needs to be taken up therefore is the extent to which things have really gone according to plan and stabilisation achieved. This is a matter not just about empirical facts but also about conceptual issues regarding both the goals of policy and the meaning of 'stabilisation'. When the government took office and decided to go for the IMF 'stand-by' arrangement the argument put forward repeatedly was that there was 'no alternative' and that the loan was being taken to avoid default and restore international confidence. This confidence had been weakened by the rapid growth of international indebtedness during the 1980s and was battered by the combined fall-out of the Gulf war and the domestic political instability which followed the upper caste reaction to V P Singh's Mandal decision. At least implicitly, the hope was that the 'stand-by' arrangement would achieve two objectives. First, that this would signal to other creditors the IMF's confidence in the Indian economy and so help to restore India's international credit rating. Second, that, by helping to build up short-term reserves, this would buy time to put into place an adjustment policy which would correct, without causing undue recession, the unsustainable imbalances in the external balance of payments and on the revenue account of the government's budget that had been bequeathed by previous Congress administrations. This was the basis of the fairly broad consensus which seems to have been reached at that time, and it is important to note that the critics of government policy were in fact at the

forefront pointing out the need to correct these unsustainable imbalances. Their main point of criticism was that the IMF-World Bank package was really 'no alternative' because it would not only not correct these imbalances but push the country into a trajectory from where it would be sucked into a vortex requiring further loans with even stiffer conditionalities

The very fact that the government now has really no alternative but to approach the IMF for an EFF package, complete with the Enhanced Structural Adjustment Facility (ESAF) loan which attracts the maximal joint World Bank-IMF conditionality and monitoring, has vindicated the critics' fears, and casts doubts on the government's claims of having achieved stability. Of course, it may be argued, quoting sections of earlier memoranda from the government to the IMF, that the government's game plan all along was to take recourse to these extended facilities. But, although there are undoubtedly elements in government who have always relished the idea of such Bank-Fund imposed discipline, this would be a somewhat disingenuous defence. As late as April this year the finance minister had himself indicated that there were no plans to seek these extended credits.

It is true that such statements too should not be taken at face value because the finance minister, like his critics, must have been aware all along that taking the stand-by loan itself implied a high probability of having to go the whole course, and because it is rumoured that the bravado earlier this year was caused by a departmental bloomer regarding the foreign exchange situation. However, it should also be obvious that the expectation in government was clearly that if recourse to EFF became unavoidable this could be obtained while conceding conditionalities much less onerous than those which appear to be likely to be conceded now. The real problem, which should be obvious to all once blinkers are removed, has surely been that the policies of the past two years have failed precisely in those respects which mattered most from the point of view of providing the country with the leeway to consider alternatives other than rigid adherence to the Bank-Fund agenda.

First, despite the discussion paper's claim that "reforms in the trade and payments regime have encouraged exports", the fact remains that in dollar terms exports in 1992-93 were not significantly (only around 1 per cent) higher than what they were two years previously. Calculations by both government and independent analysts in 1991 had shown that an export growth of around 15 per cent per annum was required to avoid another payments crisis in 1994-95 when the scheduled repayment of the stand-by loan begins. Exports at the end of last financial year were at least 20 per cent below these projected requirements. And, despite imports continuing to be below 1990-91 levels in nominal dollars, the ratio of the external current account deficit to GDP in 1992-93 was no lower than the Sixth Plan (1985-90) average, which almost all analysts agree was profligate. Consequently, there has been a worsening of every indicator of the country's external debt situation. And the projected payments hump beginning 1994-95 is now unbridgeable without recourse to 'exceptional financing' from abroad, unless of course there is willingness to tolerate an even greater import compression than the one which needed to be resorted to in 1991.

Secondly, despite the government's loud and self-congratulatory claims of success in the reduction of the fiscal deficit, the fact remains that, as a percentage of GDP, the revenue deficit of the central government in both 1991-92 and 1992-93 was no lower than the high and unsustainable Sixth Plan average. Whatever reduction which has been achieved in the fiscal deficit has come about as a result of cuts in the government's capital expenditures and on productive subsidies on exports and fertilisers, and as a result of its disinvestment in the equity of public sector enterprises. Moreover, since the latter has not been used to reduce public debt there has been no permanent reduction in the future profile of interest obligations, and, since cuts in public investment have the largest multiplier effect (because of its complementary relation with private corporate investment), the recessionary consequences have been needlessly large. Industrial production in 1992-93 was barely 1 per cent up on what it was in 1990-91, with manufacturing faring much worse, so that currently output is at least 16 per cent below projections using the pre-reform trend. Also, according to the latest CSO estimates, private investment in the economy fell by 16 per cent in real terms in 1991-92, and, though later official estimates are as yet unavailable, the available data on the production and import of capital goods suggests that it is unlikely to have recovered fully in 1992-93. Moreover, the latest NCAER survey of business confidence continues to show poor investment expectations in 1993-94, so that the crucial and much heralded supply response from the domestic private sector to the more liberalised industrial climate is simply not yet in evidence. In this context, the complacency the discussion paper expresses about the 'achievement of fiscal consolidation', brought about through cuts in public investment which presages serious infrastructural shortages in the short to medium run, is rather inexplicable, to say the least.

Third, and most importantly, despite all the concessions made and despite the government kowtowing almost humiliatingly to foreign bankers and investors, India's international credit rating has not improved even an iota from the depths to which it had sunk in 1991. Also, high approval figures notwithstanding, the government's 'open door' policies have so far been unable to bring about any marked upturn in the actual quantum of foreign investment inflows. As a result it remains as severely dependent on the munificence of aid donors to finance the looming external payments gap as it was in 1991. This disappointing state of affairs may or may not come as a surprise to official analysts, but it certainly vindicates the critics who had continuously pointed out that, whatever the media hype to the contrary, foreign creditors and investors are more interested in results than in reforms *per se*. The experience everywhere in the world has been that credit rating agencies look much more closely at political factors and into the economic bottom line (i e, at debt indicators and export and savings/investment performance) than at mere 'success' in meeting formal IMF conditionalities; and it is also well known that foreign investment typically follows a boom, and rarely causes it. The failure here reflects the fact that the government, as shown by its own list of 'achievements' in the discussion paper, seems to have put much more stress on obediently following the liberalisers' handbook than on evaluating and responding to the resulting outcomes in the performance of the real economy. Moreover, the political situation continues to be less than satisfactory for foreign creditors and investors, mainly because the government's attempts to cosy up with the BJP on the reforms have clearly boomeranged after Ayodhya, despite the subsequent display of pusillanimity that it has put up in order to minimise the damage.

Of course, it remains true that the Indian economy has shown remarkable resilience. Most important among the positive outcomes of the last two years has been the performance of agriculture whose output in 1992-93 was 3 per cent above that in 1990-91, itself a record year, and indications are that it may grow by a further 3 per cent in the current year. Linked closely to this is the downturn in the rate of inflation, which is attributable almost entirely to a sharp reduction in the inflation rate for agricultural goods and agro-based manufactures. To the extent that these good harvests were a consequence of good monsoons rather than the fruits of good government policy, the lower inflation rate is also largely a result of benign divine intervention rather than an outcome of successful stabilisation policy. However, the experience of 1991 shows that inflation would have been

much higher if the rupee had devalued more, and here the government is absolutely correct in identifying as an important stabilising factor the observed stability of the nominal exchange rate of the rupee since it was allowed to float.

Clearly, earlier fears of an inflation-devaluation-inflation spiral, expressed for example in this column, have so far been proved wrong, given the combination of good harvests, the support of aid donors, and the continuing deflationary stance in fiscal and monetary policy. The positive implication of this is that the Indian economy, which has historically experienced much lower inflation rates than Latin America, may be less vulnerable intrinsically to potential capital flight and dollarisation. But, equally, it is important to remember why inflation in India has historically been damped fairly quickly. One reason for this is the very low degree of wage indexation in the large unorganised sector and the fact that the main objective of India's international trade policy with regard to agricultural commodities has so far been to maintain domestic price stability, through restricted exports and counter-inflationary resort to imports and domestic buffer stock management. As a result, falling real incomes of the poor have cushioned inflation in the short-run, and long-run inflation has been moderated by matching supply to demand within a fairly narrow range of domestic relative prices without much regard for world price relatives. Another feature of the Indian economy has been a financial sector which has so far not only been insulated from the foreign sector but has also not been allowed to offer any hedge against inflation. Consequently, inflation has invariably led to a stabilising redistribution of income from creditors to debtors, allowing hikes in interest rates on new loans to be effective in choking off marginal demand. Both these mechanisms were prominently in evidence recently and must, along with the more important facts of good harvests, relative generosity of aid donors and the needlessly large deflation, have helped to moderate inflation and inflationary expectations. However, since the 'reforms' still to come envisage major changes in both these areas and since it would be foolhardy to bet on a further run of good monsoons, one cannot as yet rule out the possibility of an inflationary spiral appearing with even a moderate restoration of growth, particularly since further import liberalisation is a key aspect of the future reform agenda.

Thus, in complete contrast to the main presumption of the discussion paper, that stabilisation has been achieved and that the path is now clear for long-run 'structural adjustment', the conclusion must be that the policies so far have at best landed the economy into a precarious steady state where inflation has been moderated at the cost of accepting negligible growth and, even then, continuation of the present situation depends critically on the fickle generosity of the rain gods and of aid donors. This may indeed be argued to be preferable to the crisis situation that prevailed when the present government took office. But it would be irresponsibly premature to assume either that macro-economic and political conditions have improved so much that a recurrence of that situation is now impossible, or that the private sector has responded so well to liberalisation that it is now possible to proceed vigorously with further withdrawal of the state without risking long-run stagnation. Unfortunately, despite containing many measures which should be acceptable broadly, the discussion paper's agenda for the next three years seems to make precisely these assumptions.

Future 'Reform' Agenda

This agenda has three broad thrusts: to liberalise foreign trade (including in agriculture and consumer goods) somewhat more rapidly than envisaged earlier; to continue with the withdrawal of subsidies and of state involvement in industry and finance, while increasing investment in infrastructure and agriculture; and to remove perceived barriers to private investment, both domestic and foreign. These essentially micro-economic measures are sought to be accomplished while meeting two macro-economic targets by 1996-97: the reduction of the external current account deficit from 2.2 per cent of GDP in 1992-93 to less than 1 per cent, and the reduction of the fiscal deficit of the central and state governments together from about 7 per cent of GDP in 1993-94 to 5 per cent, involving a cut in the centre's fiscal deficit from 5.7 per cent of GDP in 1992-93 to about 3 per cent. The stated objective of the reform agenda is to "put the economy on a sustainable path of 6 to 7 per cent growth".

Considering the macro-economic numbers to begin with, several important but unstated implications need to be noted. Firstly, given that interest payments are bound to rise, the deficit targets, both on the external and fiscal accounts, imply much larger adjustments in the relevant primary deficit. In fact the proposed numbers (the central government fiscal deficit to reach 3 per cent of GDP by 1996-97, the overall centre and states deficit to reach 5 per cent of GDP and the BOP current account deficit to reach 1 per cent of GDP by 1996-97) imply primary *surpluses* in fiscal and current account balances. On the fiscal front, this task is even more formidable than appears at first glance, since the previous cuts in overall fiscal deficit have come about through cutting capital expenditure and using income from disinvestment of public sector enterprises as revenue. The latter has contributed to the decline in fiscal deficit by around 0.5 per cent of GDP per year, but this clearly cannot be sustained. Further, to achieve primary surplus, the revenue deficit of the government, which has so far remained large, has to be turned around and made positive, even if capital expenditure can be brought down to zero. This implies a much more serious belt-tightening exercise than the government has yet suggested it is capable of. In turn, the balance of payments targets assume a greater adjustment than is immediately obvious. Elsewhere in the document, the assumption is made of $2 billion capital inflow by 1996-97. Since that must have its counterpart in the current account, it means that in the event of capital inflow being less than this amount, the external adjustment required of the domestic sector would be even greater than is suggested by the figure of 1 per cent of GDP, and essentially implies a surplus of the exports of goods and services over imports.

Secondly, the section on 'Tax Reforms' makes abundantly clear that these large deficit reductions are to be accomplished while halving the average import tariff rate and cutting the rate of corporate taxation. Although this section also envisages some welcome steps towards increasing the tax base, through removal of exemptions and better compliance, it is more or less certain that the net result will be a fall in the proportion of GDP that is collected in the form of import tariffs and direct taxes. The burden of adjusting the fiscal deficit would therefore fall either on the expenditure side or involve increases in indirect taxes and increasing user charges on government supplied goods and services. Of these, the section on 'Fiscal Consolidation', in keeping with the experience so far, is relatively quiet about cutting wasteful expenditure in government proper but eloquent on the need to reduce subsidies and increase user charges.

Many of the subsidy cuts actually proposed, e g, on irrigation, electricity and higher education, are unexceptionable in principle but will in practice involve complicated issues requiring much more careful thought and open discussion than has been evident so far, for example in the manner in which the fertiliser subsidy was cut or PSU shares disinvested. In addition to the need to avoid sheer incompetence in design, considerable political skill will be required to implement these cuts, all of which will have to involve the states and will also imply major changes in the distribution of incomes and resources across states and sectors. And it is almost certain that any attempt by the centre to force the pace by unilaterally cutting plan transfers to states will boomerang politically, aborting both the fiscal and efficiency objectives of these cuts. Indeed, since in the long run the efficiency gains from

cutting waste are likely to be greater than the immediate subsidy amount, there is a case for beginning by replacing subsidies with direct income transfers, but then the immediate fiscal adjustment would have to be done differently.

In addition to the problem of the feasibility of achieving the fiscal and current account targets specified, there is the issue of stability and sustainability of these in the broader macro-economic context, and especially in terms of the external sector. Here the anticipated response in terms of vastly improved export performance is absolutely crucial, not only for achieving balance of payments targets, but for ensuring some degree of stability and output growth. The projected policy for the external sector involves two main elements: an increasing concentration on agricultural exports and liberalisation of consumer goods imports, both of which are potentially destabilising. The first may raise domestic prices of exported commodities and thus have inflationary implications, while the second is likely to put further pressure on the balance of payments. Despite this, however, clearly the government must now take some decision regarding the freeing of consumer goods imports, quite apart from World Bank pressure, for the current situation which encourages investment flows into these consumer goods production while allowing freedom in the import of capital and components for such production is obviously unsatisfactory. The pity is that if the government had made its primary goal the reduction of bias against exports and not reduction of protection in general, and persevered with the Eximscrip scheme extending this to consumer goods, the dangers of both too high an effective protection in this sector and the possibility of a sudden import surge could have been avoided with less uncertainty than exists now.

The section on 'Financial Sector Reform' contains very little that is new, essentially repeating the usual arguments about the need to free interest rates and allow greater freedom for the operation of private financial institutions, which is also seen to entail reductions in the Statutory Liquidity Ratio of banks to 25 per cent and the Cash Reserve Ratio to 10 per cent. The explicit aim of the strategy, "to make a wide choice of instruments accessible to the public and to producers", is one which completely ignores the possbile fallout in terms of greater financial instability, as well as the implications of the removal of the cushion against inflation which was provided by the existing financial arrangements which did not really allow for index-linking of financial returns. The one heartening change from earlier statements on financial reform (including the Narasimham committee report) is that, aside from a rather meek proposal for "careful targeting of concessional lending to the really needy", there is no talk of further cutting priority sector lending. If this reflects a greater understanding of Indian economic reality on the part of the finance ministry, then it is greatly to be welcomed.

As observers of the present government's economic strategy have by now come to expect, there is hardly any substantive content to the 'Industrial Policies' discussed here, other than the general point about deregulation of the licensing system and the urge to close down as many loss-making units as possible, both in the public and private sectors. The discussion of exit policy is guarded and muted, although some references are made to the need to review the Industrial Disputes Act, the 'rigid rules' inhibiting flexibility of the labour market and policies with regard to the use of urban and designated industrial land. The notable feature of this section, however, is not these stray references which are in keeping with the general 'free' market orientation, but the total absence of any real strategy for industrial restructuring. Indeed, this section would not pass as a viable statement of industrial policy anywhere else in the world, since there is no consideration of the desired pattern of future industrial growth and the consequent linkages or any discussion of the related issues of technology and skill development. A further cause for concern relates to the kind of signals this entire package sends to private industrial and other entrepreneurs, in terms of creating industrial discipline and an orientation towards productive investment. There is nothing in this entire document that suggests that there will be clear incentives for such motivated entrepreneurship rather than for sheer acquisitiveness of the 'get rich quick' variety that has so far accompanied the liberalisation measures.

For agriculture, one notable feature of the discussion paper is the rediscovery of the importance of land reforms and changes in tenancy regimes. This marks a major change from earlier papers of this government in which such considerations were brushed aside as unrealistic and harking back to some unfulfilled socialist dream, and can only be welcomed as one more indication of the (possible) coming of age of the finance ministry. As far as public expenditure for the rural sector is concerned, the paper argues that the aim should be to shift from subsidies to infrastructural investment; in fact, the final two sections are focused on the need to provide better infrastructure especially for agriculture and for exports generally.

Indeed, infrastructure investment *is* the crux on which will depend the fruition of the lofty vision of future sustained growth that the document lays out. But, given the fiscal targets, the rapid import liberalisation, and the tardiness so far of the private sector, it might also turn out to be the Achilles' heel of the entire agenda. The discussion paper shows awareness of the fiscal problems ahead and suggests solutions in the form of both privatisation and more realistic pricing by public sector concerns, but the problems may turn out to be much more hairy. For a start, it is not clear that the political problems involved in getting states to get on with subsidy reduction will be solved in the time available, given the gestation lags involved. And, secondly, it is not clear that the private sector will enter into these areas without the sort of cast-iron profit guarantees now being demanded by potential foreign investors in the power sector compared to which the inefficiency of the much berated retention price scheme currently existing in the fertiliser sector is small change. The jump start necessary in this area can only come from direct public investment, and finding the funds and avoiding the possibility of adverse BOP effects should be the government's prime concern.

Finally, although the discussion paper is eloquent about human development while setting out the goals of reform, it devotes little space to spelling out its programme. The only concrete things mentioned are that priorities must shift from higher to primary education and from curative to preventive health care, and that JRY, IRDP and PDS must be better targeted towards the poor. All of this implies reallocations, not additions, to the commitment to human development and poverty alleviation. And it may safely be assumed that when the fiscal squeeze starts to bite, even the pretence of maintaining overall spending in these social sectors will be among the first to be given up. After all, if Rs 1 crore can be provided to each MP out of the rural development budget before a no-confidence motion, even more worthy use of such funds can surely be thought up by those who would give everything to maintain the political momentum of the reforms.

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'Structural Adjustment' and Education

Arun Ghosh

The damage structural adjustment is doing becomes evident from the government's policies on education.

SINCE July 1991, India—under the tutelage of the World Bank and the IMF—has embarked on a policy of 'structural adjustment'. The purpose of 'structural adjustment' is to make for such changes in the production structure as would make India 'competitive' in international markets. In order to make India competitive, structural adjustment policies are attuned to the 'globalisation' of the Indian economy, so that the Indian production system—as well as the foreign trade of India—are fully in tune with international demand and supply. Also, in the process, and in an effort to make space for private initiative and enterprise, the focus is on the reduction of government revenues as well as of government expenditure.

How misplaced this policy is becomes evident from the present government's policy on education. Again, the World Bank—and a lot of misguided neoclassical economists advising it—are wholly in favour of *privatising* education. Apparently, anything connected with government is by definition 'inefficient'; the 'market system' is *ex hypothesi* more efficient.

Let us pause for a moment, and go back to an economist who is regarded (by all neoclassical economists) as one who advanced the subject greatly, and who ruled as a colossus in the domain of economic theory for nearly 40 years. Alfred Marshall, whose textbook constituted the core of economic theory until about the beginning of the second world war—and certainly until 1936, when Keynes' *General Theory of Employment, Interest and Money* appeared—has this to say: "Capital consists in a great part of knowledge... Knowledge is the most powerful engine of production... The distinction between public and private property in knowledge and organisation is of great and growing importance; in some respects of more importance than that between public and private property in material things..." (*Principles of Economics*, 8th edn, 1920; Macmillan, London, 1947; pp 138-39).

Note the two points made by Marshall: (1) that "knowledge is the most powerful engine of production"; and (2) that "the distinction between public and private property in knowledge is . . .of more importance than that between public and private property in material things..."

It is difficult to imagine that the finance minister of India, an erudite economist—a one-time Adam Smith prize winner in economics at the University of Cambridge—has not read Marshall. At any rate, he may be expected to have read W Arthur Lewis, and more recently Theodore Schultz, both of whom have emphasised the importance of education in the process of development. But Marshall's pointed reminder, as far back as 1920, about the distinction between public and private property in knowledge is getting to be increasingly more relevant by the day, both in terms of who dispenses education, and who holds the monopoly of knowledge in regard to technical progress. One would need a separate essay on the Dunkel proposals to include Intellectual Property Rights as an issue for surveillance by the reformed GATT; and we may merely note this important point, and delve into the problem of who is best fitted to dispense education and provide for the dissemination of knowledge and technical skills.

No, it is not either lack of understanding of the issues facing the country or his lack of faith in education as the most important factor in development which prevents the finance minister from pursuing policies which may help to develop the people of India, through better dissemination by public authorities of education and skills. After all, the finance minister was himself a professor of economics at the University of Delhi before he joined the government in the early 70s; and he himself (coming from a relatively poor family in rural Punjab by his own admission) owes his meteoric rise to his education. No, perhaps the compulsions lie elsewhere; he is clearly no longer in charge of economic policy-making; he has to do as he is told to, by a bunch of 'uneducated' degree-holders occupying important positions in the World Bank. Or, maybe, those gentlemen *know* what they are recommending; they are just not interested in seeing India develop.

There are two facets to education policy There is on the one side the problem of universal primary education and better (and more widespread) vocational education. Secondly, there is the problem of higher education, which has to cope with rapid developments in science and technology around the world. There is also the other basic issue: should education be publicly funded or privately organised and privately marketed, same as any commodity?

We obviously would not succeed in 'globalising' the Indian economy without creating a domestic base of industrial growth based on a high level of scientific and technological skills. In the absence of such development, the 'globalisation' of our production structure is tantamount to accepting that India should remain a backward society, producing (and exporting) only primary products, and dependent on imports for all sophisticated manufactured goods. Currency devaluation never has and never will help the process of industrialisation. The structural change we need is by way of developing the people of this country.

Let us quickly get the problem of universal primary education out of the way. Primary education is essentially the responsibility of the state governments. But in India, the founding fathers of the Constitution gave all the flexible sources of revenue to the centre; they also devised the mechanism of a quinquennial Finance Commission to ordain the devolution of finances from the centre to the states, so that the latter could discharge their constitutional responsibilities for the development of education, health, etc. Unfortunately, over the years, the inroads of central planning have changed the scenario dramatically. Only a small part of central revenues today devolves to the states under the formula evolved by the Finance Commission; much the greater part of funds is devolved at the behest of the Planning Commission, and close to a third of the total devolution of funds is through centrally sponsored schemes. So, the states really dance to the tune played by the centre; and that goes not only for primary education but also primary health, expenditure for agricultural improvements, and all other

areas which, under the Constitution, are the responsibility of the state governments.

What about higher education? Well, the country is facing a crisis, and all government expenditures must be cut. Of course, we must increase the outlay on the police; 'law and order' must be enforced. We must also tax the rich less; for, in terms of World Bank philosophy, we must create more space for private initiative.

The result: the central grants (even to the central universities) have been cut drastically. And since university employees must be paid higher dearness allowances—as granted by the centre to its own employees, in terms of the Fourth Pay Commission recommendations—and since the total grants to universities have been frozen, the economy to be effected hits libraries, science laboratories and similar facilities. Let us take a look at the Delhi University Library. The figures in the accompanying table speak for themselves.

Of course, one must note that the Ratan Tata Library has, of late, been fortunate. First, in 1992, through the efforts of some senior bureaucrats, donations were collected from businessmen for the Ratan Tata Library. And now, in 1993, the finance minister—a one-time professor in the Delhi School of Economics—has made a Rs 5 crore grant to the Ratan Tata Library (as a capital fund), and another Rs 3 crore grant to the Delhi School of Economics to start a new Centre (for studies).

One should not grudge anyone's good fortune. So, good luck to the Delhi School of Economics. But what about the physical sciences? The number of journals subscribed to by the science library of Delhi University has come down from 795 to 195 in a matter of two years. An outsider cannot delve into the state of the science laboratories. Presumably, they would be facing a likewise cut.

And so, the inevitable response: privatise education. This is an easy escape route, but a route full of dark holes and pitfalls. Let us hearken back to Alfred Marshall who was vehement in defending 'competition' and private enterprise. Knowledge is not only the engine of production, a distinction has to be drawn between public and private property in knowledge. From Adam Smith down to neoclassical economists like James Meade and Theodore Schultz, all of them favoured: (a) public education, and (b) public property in knowledge. The latter, one must note, is a direct attack on the concept of Intellectual Property Rights, so close to the heart of reformers of the GATT. But we are not discussing the Dunkel proposals, which, in the present context, only focus on the problem of how to internationalise US patent laws.

So, the issues are two-fold: First, the issue is private *versus* public supply of education; and secondly, if education were to be publicly funded—and we should remember that even privately run schools and colleges are financially aided by the government, even though most of them are of the nature of 'money-making institutions'—how does one raise the resources required for publicly funded education?

The first issue then is whether public or private supply of education is better. Except for a very few elitist schools, out of reach of more than 99 per cent of the population, few people would question the superiority of public educational institutions as compared to private 'money-making institutions'. Certainly, the universities are all publicly funded. Some colleges, run by private charitable institutions, are reasonably well run; but of late, there is a mushrooming of commercial enterprises dispensing higher education, set up on the basis of highly concessional land and other facilities, with heavy capitation and other fees. Basically, they are money-spinners for the promoters.

There is doubtless enormous scope for improvement of the quality of education dispensed by publicly funded institutions of higher learning. In particular, the state of libraries and laboratories in public institutions today is deplorable. There was a time when our educational system was narrow yet full of idealistic teachers. We had men and women of dedication as our teachers. Today, many teachers do not teach in their classrooms; they give private tuition to the same students at home for a separate (and a high) fee. How does one change this? But ask any parent; he would still prefer a state run university for his ward to a privately run institution. Does 'market preference' of consumers of education have any lesson for us?

Again, let us talk only of higher education, because primary education in rural areas does not interest our educational entrepreneurs. Before the second world war, the standard tuition fees for university education were Rs 12 per month for the BA classes, and Rs 15 for MA classes. These continue to be the fees even today, when many students come to the university in scooters and motor bikes (and some even in Maruti cars). One could argue in favour of free studentships and merit scholarships for the deserving poor. But how does one justify, in 1993, the same tuition fees as in 1939?

A government which can implement savage policies of economic reform is yet unable to muster the courage to raise tuition fees at the university level. The authorities also lack the courage to revise the curricula. The question of instilling proper values in our educational system just does not arise. We glibly talk of privatising education. Education has become another commodity to be marketed, based on demand and supply, available at a price; for the educational entrepreneurs charge heavy 'capitation' and other fees, and generally make money, even as they get concessional land and other facilities. But then, making money *is* the motive force behind the capitalistic system, is it not? Why complain? Self-interest rules the country, not what is good for the long-term interest of the country.

So, this is the background. What kind of structural adjustment are we attempting to introduce into the country in this framework? Do we not realise that a country which falls behind in education is also likely to become increasingly less efficient by international standards? Even the 'efficiency criterion' should warn the finance minister—an educated person—against this danger.

TABLE: JOURNALS SUBSCRIBED TO BY DELHI UNIVERSITY

	Number of Journals Subscribed Prior to 1991	Journals Renewed in 1991	Journals Expected to be Renewed in 1992
Arts	582	285	185
Science	795	350	195
Ratan Tata (School of Economics)	600	600	200
South Campus	350	250	175
Central Reference	•	90	108
Total	2,327	1,575	863

• Included, prior to 1991, in Arts Library figures.

Sugar-Coating for Tougher Conditionalities to Come

EPW Research Foundation

The finance ministry's so-called discussion paper on the economic reforms is really an attempt to prepare the ground for the far tougher conditionalities to which the country is to be subjected as the price for the EFF and the ESAF borrowing from the IMF and the loan for financial sector reform from the World Bank.

THE ministry of finance has published what it calls a 'discussion paper' titled 'Economic Reforms: Two Years After and the Task Ahead' ostensibly to start a debate on the structural adjustment programme and to seek a consensus on economic policies as the government prepares to go to the International Monetary Fund (IMF) for an extended fund facility (EFF) loan.

Is There a Choice?

Before examining the substantive issues raised by the discussion paper, one is tempted to enquire of the finance ministry whether any alternative policy path is at all available once the government chooses the IMF's EFF and the World Bank's structural adjustment route? If, for instance, the consensus of the domestic debate were that the fiscal adjustment had been too severe, that the recessionary conditions in Indian industry were attributable to the sledge-hammer kind of fiscal and monetary compression, that the adverse effects of such compression were to be seen more in drastic reduction in the growth of industrial output and employment rather than in inflation control, that the private sector in India (including foreign direct investment) would not be in a position to fill the gap created by reduced public expenditure and public investment programmes in real terms for many years to come, that the structure and size of the investment were significantly different from the nature and size of public investment that the private sector would contemplate undertaking for some years to come and hence the restructuring route would imply a colossal waste of past investments not only in bigger units (like the BHEL) but also in downstream ancillaries and small-scale units.... Assuming that this was the consensus judgment, would we have the option of retaining over the next three years the gross fiscal deficit at the level of 5.7 per cent to which it fell in 1992-93 or even at 4.7 per cent to which it is proposed to be reduced in 1993-94, and of not reducing it to 3 per cent by 1996-97, i e, the three-year period of the proposed EFF. It can be systematically argued on both theoretical and empirical grounds that a 5 per cent gross fiscal deficit of the central government is undoubtedly sustainable even in the long run, that it would be non-inflationary. Would this choice be available to us once government seeks the EFF?

Or if the consensus were that in order to avoid a possible external debt crisis after the EFF is over, due to drastic and premature import liberalisation and growing debt service commitments, we need to go slow on import liberalisation, would the option be available to us to reintroduce some of the import restrictions and to decide not to eliminate import controls on consumer goods in the next four years? Or if the consensus were that in the financial sector, the mere existence of a large number of players in the market (like many and different types of commercial banks) does not ensure competition or fair play and that, therefore, some degree of social regulation including cross-subsidisation is necessary; would it be possible then for the RBI to re-introduce one or two more slabs of interest rates for bank deposits as well as for bank lendings? Still worse, like the Narasimham committee for the financial sector, we now have an R N Malhotra committee for the insurance. Considering that insurance business is a gold mine and that there is still a vast area of social insurance remaining uncovered in India, would the government have the option of rejecting the Malhotra committee's recommendations if these were to include foreign sector participation in the insurance sector in India?

The fact is that having chosen the IMF/World Bank programmes with very high tranches of structural adjustment borrowings, the country has been pushed into a situation where it has little choice but to accept the severe conditionalities and performance criteria imposed by the multilateral agencies. What is more, the IMF/World Bank package is a tight-knit, highly integrated one and the country has not the freedom to choose any part of it. An outstanding example is that of the forced disinvestment of PSU equities during the past two years because there were the IMF/World Bank conditions to be fulfilled, including those on bringing down the gross fiscal deficit. We know from the former secretary to the department of public enterprises how he was given just three months to complete the sale of Rs 2,500 crore worth of PSU equities, ignoring all national interests, because the IMF condition in regard to the gross fiscal deficit had to be fulfilled.

Therefore, the call for debate is a ruse by the bureaucracy to sell the reform package. If it is not a concerted effort by a coterie of the bureaucracy, how does one explain that all the committees appointed by the government—Narasimham committee on the financial system, Rangarajan committee on balance of payments, Chelliah committee on tax reforms, Rangarajan committee on disinvestment of PSU bonds and now in all probability Malhotra committee on insurance—should be singing the same song of structural adjustment, liberalisation, privatisation and opening up for foreign competition without a single member dissenting.

That the discussion paper is a subtle bureaucratic attempt to prepare the ground for the more severe conditionalities under the IMF's EFF and its 'soft' window, the enhanced structural adjustment facility (ESAF), and the World Bank's loan for financial sector reforms, is evident from the fact that it contains nothing which has not been articulated so far in IMF/World Bank documents on India, that there is not a shred of evidence of any hard bargain a country of India's size may hope to strike with the multilateral agencies in the proposed negotiations. For instance, every aspect of the financial sector reforms proposed in the discussion paper has been already agreed to with the Asian Development Bank (ADB) for its financial sector loan (the details of which have already been obtained by members of parliament). Progressive deregulation of interest rates, elimination of ceiling on bank deposit rates and phasing out of the floor on lending rates have already been agreed to with the ADB; likewise, reductions in the cash reserve ratio (CRR) to 10 per cent and the statutory liquidity ratio (SLR) to 25 per cent. When such is the backdrop to the discussion paper, where is the scope for any debate?

The Philosophy of the Reforms

While dealing with the substantive issues it should be clarified at the outset that it is nobody's case that there was no scope for reform in different sectors of the economy in 1991-92, when the current reform phase began, nor is it being contended that India ought not to borrow from the multilateral agencies when it needs to borrow. It is just that we ought to realise that borrowing from the IMF and the World Bank has a significant cost

attached to them. The larger the borrowing the higher the cost. As stated earlier, the multinational agencies have such a rigid attitude to the package of macro-adjustment policies that the borrowing country has no freedom to modify them to suit its policy preferences or the stage of development. There is by now universal acceptance, despite protestations to the contrary, that the social costs of adjustment fall heavily on the poorer segments of society. The higher the incidence of poverty, the more difficult it is for society to bear the shocks of adjustment. All talk of adjustment with a human face has turned out to be a facade because the economic logic of a market-oriented system is decidedly against the poor; it also deprives the state of control over resources badly required for protecting the interests of the poor. Therefore, certain preconditions essential for broad-based development have to be met before the reforms can be begun. The reforms have to be gradually introduced so that the vulnerable sections of society are not deprived of employment and the other sources of their basic livelihood and social expenditures. In the meantime, many checks and balances have to be continued so that the scarce resources of a poor society are not frittered away in non-functional activities. These and many other significant alternatives have been set out in the literature, but the discussion paper ducks these crucial issues by making emotional and repeated references to the success stories of the east Asian countries (China, Korea, Malaysia, Indonesia and Thailand) without making an effort to appreciate the preconditions which made those success stories possible.

There are four aspects of the discussion paper which call for detailed comment, the philosophy behind the reforms; the reform measures so far undertaken; the initial impact of the measures; and the structural adjustment programme proposed to be undertaken in the next three years as a part of the EFF and financial sector reform programmes.

As part of the broad philosophy of the new economic policy, the discussion paper argues that "the only durable solution to the curse of poverty is sustained growth of incomes and employment..." There is unshakeable faith in structural reforms putting the economy on a sustainable 6 to 7 per cent growth path which would take care of the age-old problems of poverty and unemployment. A basic question that has been posed in the literature, which the discussion paper does not even take cognisance of, is whether the Indian economy as yet possesses the necessary preconditions for the kind of rapid and drastic structural adjustment that is sought to be imposed on it. In this respect, the document repeatedly quotes the examples of the countries of east Asia, referred to above, which have transformed themselves within a generation and attained high living standards. Their poverty levels have come down to below 10 per cent. They are the ones which are attracting substantial foreign direct investment and also tourism earnings.

But the reference in the discussion paper on the success of the east Asian countries' is superficial. If we have to draw lessons from these countries, experience, we have to compare their historical setting, the preconditions for success created by them and the strategies adopted. First, these countries had not faced in their history such intense, systematic and prolonged colonial exploitation as India had faced, resulting above all in a persistent drain of domestic savings, relative stagnation in per capita income, and consequently erosion of the vitality for development; it had also bestowed on India a semi-feudal structures with the inherent tendency to waste and dissipate physical and financial resources in non-productive activities. China, which was no doubt similarly placed, could recover from the erosion and replace the deficient structure through intense socialist reconstruction. Second, all these countries have created, on attaining self-rule, a socio-economic environment conducive to broad-based development. Almost all of them undertook effective land reform which not only released the forces of production in their rural areas but also created more equitable distribution of incomes and wealth. "It is highly significant that the three non-socialist countries in east Asia that had the most equitable income distribution (Japan, Korea and Taiwan) are those that also underwent significant land reforms. As these societies were largely agricultural at the time of the reforms, these changes had profound effects on income distribution" [Steinberg 1988]. The estimated ratio of the top quintile to the bottom quintile income share in the population was 4.9 in the Republic of Korea in 1981, whereas it was 10.1 in India in 1975-76 [Amsden 1993].

Besides, these countries attained high levels of literacy, particularly female literacy, and substantially better health standards. In 1965, the percentage of females in the relevant age group enrolled for primary education was 99 per cent in Korea, 86 per cent in Thailand, 84 per cent in Malaysia, 64 per cent in Indonesia and 57 per cent in India. "The high-level of education in Korea contributed tremendously to its economic development as well... Korea achieved a literacy rate of nearly 80 per cent by the early 1960s, the highest of any country at a similar level of development" [Kihwan Kim 1988]. Likewise, maternal mortality rate (per 1,00,000 live births) for 1980 was 34 for Korea, 59 for Malaysia, 270 for Thailand, 800 for Indonesia and 500 for India. Also, with better female participation in the labour force and more than one earning member in an average household, these Asian countries could generate a rapid increase in household and overall domestic saving ratios. In the early phase of development of these countries (except for Korea which picked up very soon), their domestic saving ratios had generally reached 25 to 30 per cent—much higher than that of India. The higher level of social consumption with relatively better distribution of income and wealth vastly widened the demand base of those economies and facilitated more broad-based development. Higher literacy and health standards were the most crucial factors in enhancing labour productivity which in turn went to facilitate significant import substitution and export promotion.

What is more, in the strategies of development pursued by these countries, (a) the state played an active role in industrial restructuring with packages of incentives and disincentives, including for import substitution and export promotion; and (b) they resorted to an aggressive pursuit of import substitution combined with export promotion. An incisive study on the five Asian countries (Korea, Indonesia, Malaysia, Thailand and Taiwan) has brought out how the singular lesson from their industrialisation experience is that ongoing export promotion may fail to become diversified and knowledge- and capital-intensive if it is not followed by subsidised import substitution [Amsden 1993]. Referring to Thailand, the same study argues that as much as 50 per cent of exports were from import-substitute industries.

An important aspect of the new policy is the dependence on foreign direct investment for accessing non-debt sources of foreign resources and for facilitating improved technology transfers. Even liberal portfolio investment has been permitted, though at a very high cost to the economy. First, there is a significant body of evidence to the effect that excessive dependence on foreign sources tends to hurt the process of expanding domestic savings. Secondly, and more importantly, a study on the role of foreign direct investment in effective technology transfer in the context of the Asian countries has the following judgment to offer: "Passive dependence on foreign technology can transfer the results of innovation done elsewhere, but it cannot provide a domestic base of technological capabilities that long-term growth and diversification require. Of all the modes of technology transfer, FDI carries the largest risk of creating such dependence. This may not matter for developing countries with relatively small industrial bases and weak capabilities, such as Bangladesh or Sri Lanka. It does matter for countries such as India that have a base of innovative capabilities and can fruitfully add to it. The entry of foreign investors then has to be controlled and directed to promote the development of local innovative capabilities. FDI should be encouraged when it feeds into local innovation and should be restricted when it threatens to substitute for local innovation. Where possible, foreign investors should be stimulated to undertake local adaptive and innovative effort. Where necessary, the government must step in to assist indigenous innovation to coordinate the technological efforts of local firms" [Sanjaya Lall 1993].

Thus the whole philosophy behind the dra-

matic changes through a structural adjustment strategy has a questionable basis at this stage of the country's socio-economic development. In the first place, a sustained growth of output is not possible to be established on such a low base of domestic demand. Nor is it possible to squeeze a sustained export growth of 14 to 15 per cent per annum unless there is significant import substitution effort on a wide front of Indian industries and on an ongoing basis. In any case these activities will not generate adequate employment growth such that the poor get a share of the benefits of development.

Biased View of Performance

In presenting the achievements of the past two years in implementing macro-economic policies as also the responses to these policy changes, what the discussion paper does is a repetition of the myopic view of performance the government has been dishing out for the past year or so. The annual inflation rate steadily came down from 17 per cent in August 1992 to 7 per cent by the end of 1992-93. Foreign currency reserves crossed $ 6.4 billion and the overall economic growth increased to about 4 per cent in 1992-93; industrial growth showed significant recovery in the first eight months of 1992-93, registering a growth of about 4 per cent over the corresponding period of 1991-92. The process of fiscal consolidation is being continued further in 1993-94, with the fiscal deficit targeted at 4.7 per cent of GDP. The industrial liberalisation has created an environment of competition and freedom to invest, expand and modernise in response to market conditions. Reforms in the trade and payments regime have encouraged exports and dispelled fears of the economy being swamped by imports. Exports to the general currency area (GCA) grew by 10.8 per cent and the reforms in industry and trade and in the payments regime would promote a pattern of industrialisation which is both sufficiently labour-intensive and also internationally competitive. The direct foreign investment, even if it reaches $ 1.0 billion by 1995-96, would still be less than 4 per cent of total industrial investment in India and the notion that it would swamp our economic independence is not warranted. Apart from substantial tax reforms and financial sector reforms, a beginning has been made in reforming the public sector such that the actual budget would not bear the burden of maintaining sick public sector units nor of providing resources for expansion of PSUs in general. Finally, with a view to minimising the social costs of structural reforms, a national renewal fund has been set up, the public distribution system has been strengthened and expanded, and expenditure on the social sectors including rural development, health and education, has been substantially stepped up in the 1993-94 budget.

While each one of the above claims may appear to be correct, what has been left unsaid may go to dispute the claims rather substantially. Inflation control, for instance, has been to a great extent made possible by better crops in the past two years. While fiscal compression has no doubt played a role, but its role in creating recessionary conditions in industry has been more potent than in reducing the price rise. The earlier peak price rise rather quickly to 17 per cent from about 12 per cent was also largely contributed by the rupee devaluation. Even now there are significant sectoral pressures on prices (such as in many industrial products, sugar and edible oils). On the question of fiscal compression, the discussion paper is silent on its many consequences. We now have it on the authority of the deputy chairman of the Planning Commission that the erosion in the Plan outlay of central public sector enterprises in 1992-93 was of the order of 14.4 per cent. Similarly, there was a shortfall of 7 to 10 per cent in the state plans for agriculture, irrigation, and social services; in the power sector, the shortfall was as much as 14 per cent. The budgets of most of the 25 states for 1993-94 do not present an encouraging picture due partly to reduced resource mobilisation and partly to lower central assistance. Due to fiscal compression, the central government has reduced allocations for public enterprises and productive subsidies, but significantly raised interest payments from Rs 32,500 crore in 1992-93 to Rs 38,000 crore in 1993-94 (an item that would continue to rise, despite fiscal adjustment, due to unreasonably steep increases in yield rates on treasury bills and dated government securities). It is impossible to get a clear perspective of the fiscal performance unless these distortions and their consequences are highlighted.

The claim that reforms in trade and payments regime have dispelled fears of the economy being swamped by imports shows how biased the perception is about the functioning of the economy. In the first place, the decline in imports in 1992-93 were due to severe recessionary conditions in industry following the structural adjustment programme. But this does not disprove the fact that Indian society, given the opportunity, has a high import propensity. This is as much true of industrial goods as of consumer durables as well as of gold and silver. While detailed data are not available on the inflow of consumer durables, the clandestine as well as officially recognised import of gold and silver on a sizeable scale is enough of evidence on this phenomenon. Also, the argument that over time, reforms in industry, trade and the payments regime would promote a pattern of industrialisation which is both sufficiently labour-intensive and also internationally competitive fails to take note of a few specific possibilities: (i) Indian industry, which has created a reasonably strong industrial base, may be swamped by unmitigated foreign competition and thus a process of deindustrialisation may be set in motion; (ii) a substantial export expansion of a wide range of technology-oriented, capital and skill based products is not possible unless there is the simultaneous promotion of import substitution; and (iii) due to pent-up demand for consumer goods, including precious metals, it is necessary to contain their imports at least until a viable balance of payments situation emerges as otherwise there is the danger of a debt crisis. Finally, it has been pointed out in the past but bears repetition that all corroborative evidence suggests a deterioration in the employment situation in the recent period. For instance, the employment exchange statistics, for what they are worth, suggest that both vacancies notified and placements effected were lower in 1991-92 and 1992-93 than in the preceding years. The discussion paper has no place in it for such relevant aspects of the performance of the economy.

Road Ahead

This brings us to the reform agenda the government has proposed for the 'next three years', which exactly corresponds to the period of the proposed EFF programme. The first two years of structural adjustment have thrown up a number of lessons but the discussion paper does not even refer to them except for the platitudinous observation that the gains made in some areas could be reversed if we were not careful to consolidate them in the years ahead. In the next three years, mind-boggling changes are proposed to be effected in the macro-economic management of the economy which, if economic logic and the structure of the Indian economy are any guide, are likely to widen the gaps in the availability of social services as also contribute to a worsening of the problems of poverty and unemployment.

Apart from reducing the gross fiscal deficit of the centre to 3 per cent of GDP by 1996-97, significant reduction in subsidies, a new approach to administered prices, further reduction in budgetary allocations to PSUs, raising of user charges for electricity, irrigation, public road transport and non-primary education with some element of cross-subsidisation to cover the costs of services, completion of the tax reform agenda including gradual reduction of income and corporate taxes as also of the average custom tariff level, a move towards a full-fledged value added tax (VAT), and widening of the scope of presumptive tax, are some of the substantive reforms contemplated in the fiscal area. Reform of the financial sector will cover phasing out of ceiling and floor for bank deposit and lending rates with a single concessional lending rate

set about 3 per cent below the rate charged to prime customers, targeting the concessional rates to the really needy, and a phased reduction in SLR and CRR to 25 per cent and 10 per cent, respectively; widespread computerisation and special (probably drastic) attention to banks that remain weak and insolvent. With a view to making the provision of general and life insurance services more efficient and effective and for introducing greater competition for this purpose, the report of the Malhotra committee on insurance is awaited.

In industrial policies, apart from expecting the state governments to remove all fetters on industrial investment and production, the central government's focus will increasingly shift to restructuring unviable enterprises, both public and private, and also to carrying out a strategy of disinvestment in the equities of all public sector enterprises on the lines of the recommendations made by the Rangarajan committee. For small-scale industries, the emphasis in the future will be on promotion rather than excessive regulation and protection. (A secretary to the government of India recently revealed that the government was anxious to remove the protection given to 800-odd small-scale industries though it was facing certain hurdles in this respect.) There will be considerable reorientation of public expenditures on health, education and agricultural development. It is proposed to reduce subsidies being provided for water, electricity and fertilisers. "Taking the centre and states together, the pattern of public expenditure for agriculture has to be radically restructured to favour durable and productive investments and adequate provision for their operation and maintenance instead of input subsidies, whose benefits are typically appropriated by better-off farmers." Likewise, in infrastructure, the losses of State Electricity Boards would have to be eliminated. Generally, the monopolistic nature of public enterprises will have to give way to the induction of private service providers, the PSUs will have to operate on commercial principles with corporate status in some cases, special privileges like preferential purchase policies will have to be phased out, many PSUs will have to be ready to sell equity to the public and foreign investment will be expected to provide a critical supplement to resources and technology in some sectors. "All of this will require new thinking, fresh management approaches and, in some cases, legislative changes." Finally, in the external sector, important reforms contemplated are: phasing out of quantitative restrictions on exports and remaining restrictions on imports, elimination of all anti-export bias in trade and industrial policies and, finally, beginning a process of reducing the absolute protection provided to consumer goods. Also on the agenda are further measures to attract foreign investment with the goal of achieving an annual flow of $ 2 billion by 1996-97, and a progressive move towards full current account convertibility to encourage foreign investment. With considerable reforms in the regulatory framework, foreign investment in infrastructure industries will be promoted. An avowed objective is to reduce the current account deficit to below 1 per cent of GDP by 1996-97.

In the first place, the reform agenda, with its inspiration from structural adjustment programmes, concentrates essentially on monetary, fiscal, financial and external sector policies, ignoring the more basic questions of the real economy. For instance, domestic savings have generally remained stagnant during the past 10 to 12 years, which is the most crucial element in the macro problems of the Indian economy today. As mentioned earlier, the entire policy package concerning the industrial, trade and fiscal regime is sure to encourage conspicuous consumption, including investment in gold and silver, and hence prevent augmentation of domestic saving. The east Asian countries quoted in the government paper were already generating substantially high domestic saving ratios when they embarked on adjustment programmes. Thus in 1980 Malaysia had a domestic saving ratio of 33 per cent, Indonesia of 29 per cent and Thailand of 22 per cent. Though the Republic of Korea began with a low saving rate, by 1979 it had reached 28 per cent. India's saving rate has remained almost stagnant for more than a decade at around 22 to 23 per cent. It may be argued that the current high domestic saving ratios of these other countries are attributable to their rapid economic growth, which is only partly true. An equally important factor was the pursuit of an aggressive policy of saving promotion in the early phases of their development, apart from the impetus provided by a more egalitarian economic structure.

Likewise, shorn of all cliches about industrial restructuring, the future of Indian industry lies in policies on technological upgradation, adaptation and assimilation and promotion of local research and development. The discussion paper is practically silent on these basic issues.

A theme that runs through the reform agenda is the role of state governments in carrying forward the structural adjustment programmes in their next phase. First, in fiscal consolidation, it is proposed to reduce the gross fiscal deficit of the centre and states together as a percentage of GDP from about 7.7 per cent in 1993-94 (not 7 per cent as mentioned in the paper) to around 5 per cent in 1996-97. Of this reduction, at least one percentage point would be on account of state governments. As it is, the states will face considerable reduction in central transfers of budgetary resources. They will get a lower share of revenues as the centre brings about substantial reduction of income taxes and excise duties which would affect the states directly and would reduce the centre's ability to effect transfers. A number of additional costs have been imposed on the state governments. Interest rate on their borrowings from the centre and on small savings have been drastically raised. While the size of their market borrowings in real terms is being reduced, the cost of such borrowings has already been substantially pushed up. No doubt, the discussion paper expects a drastic reduction in the massive subsidies extended on irrigation, power and road transport, but achievement in this regard can only be very gradual; likewise, the expected improvements in tax compliances, tax administration and buoyancy in tax revenues. Second, in implementing the new policy on industrial investment and production, the paper admits that many fetters are still quite pervasive at the state and local levels; enterprises continue to face difficulty in procuring land, water and electricity connections It is said, rightly, that the responsibility of improving the industrial climate in this respect lies with the state governments. Third, substantial emphasis has been placed on the restructuring of public expenditure in areas which predominantly concern the state governments: education (primary education and literacy programmes as distinguished from higher education) and health (preventive and primary health care as against curative and referral facilities and urban hospitals), agricultural investment combined with reduction in agricultural subsidies, provision of infrastructural services with appropriate economic pricing, and special employment programmes like the IRDP and Jawahar Rojgar Yojana.

There is no gainsaying that in all these areas the administrative machinery at the states' level has a major role to play but there are two issues which deserve to be raised here. First, there is no awareness in the discussion paper of the fact that if the state governments have to play a more effective role in all these areas, that new role has to form an integral part of a more decentralised pattern of governance. The existing pattern is highly centralised and is not conducive to it. It is revealing to see, in this respect, how in China the provinces have been given the powers to negotiate foreign collaboration agreements and how they are vying with each other to attract foreign direct investment, particularly in infrastructural areas. Secondly, the question is not merely one of restructuring the expenditure programme; it is also one of generating adequate growth in expenditure, say, as a proportion of GDP. While the discussion paper gives emphasis on shifting the relative share, for instance, in public expenditure from higher education to primary education and literacy programmes, or in public health, from curative and urban hospital facilities to providing primary health care, it is not realised that the gap in these services

is so vast that unless there is a substantial increase in the overall expenditure, the amounts assigned to these areas in real terms would fall short of the requirements and hence the gap in the availability of these services would get widened. So is the case with financial and physical resources allocated for special employment programmes like the IRDP and the Jawahar Rojgar Yojana. These schemes are looked down upon with contempt by the bureaucracy and during the last four-five years, the funds allocated for them have been pitifully small. The biased attitude of the government in this respect is evident from the fact that its immediate response to the high level of food-stocks with it was to resort to their export and not think of using foodgrains for the creation of assets through special employment programmes.

In the fiscal area, the reform agenda would also involve substantial reductions in subsidies for fertilisers, food, and several petroleum products like kerosene and LPG, as also the overhauling of administered prices and elimination of budgetary support for public sector undertakings. The major tax reforms anticipated are: gradual reduction in the average customs tariff level to 25 per cent with maximum rates at about 50 per cent; rationalisation of customs duties and import policies for consumer goods, and gradual reduction of income and corporate tax rates. A singular achievement of the east Asian countries during the initial period of their growth was the relatively high share of direct taxes as a proportion of GDP (for instance, 4.7 per cent in the case of Korea in 1970 as against 2.5 per cent in the case of India now). The reforms contemplated now are unlikely to achieve such a high incidence of direct taxation in India. Those countries also had significant protection for their consumer goods which facilitated the creation of a comparative advantage for themselves in such goods. India has a relatively vast market for consumer goods and therefore, from all macroeconomic angles, one of the most important candidates for selective intervention by the state relates not only to protection for consumer goods industries but also a general restraint on their domestic production as well for some years to come. Finally, the complete surrender by the state of the potency of fiscal and monetary instruments to establish a set of priorities for production and investment as also for imports and exports, will be contrary to the experiences of all the successful Asian countries.

In industrial policy, overwhelming importance is being given to the restructuring of weak and unviable enterprises, both public and private, as also to the disinvestment programme for public sector enterprises. In a patently unequal society some amount of protection for labour is a necessary condition for social peace. There is, however, the discussion paper argues speciously that the rigid labour market rules limiting the flexibility with which labour can be hired and retrenched can tend to push entrepreneurs into more capital-intensive technology so as to reduce the number of workers they have to deal with. This is nothing but an apology for entrepreneurial preference for capital-intensive technologies as a natural response to fiscal and other policies favouring capital. If casual labour is preferred to regular workers, it is because the state permits the breach of labour laws. The government's National Renewal Fund (NRF) for training displaced labour has provided nothing beyond termination benefits for staff opting for so-called golden handshakes. In this context, some results of a recent study by the Organisation for Economic Co-operation and Development (OECD) in respect of its 24 member-countries should be revealing. According to the OECD, the two remedies most favoured, namely, active labour policies (such as labour market training, direct job creation, etc) and flexible policies of hire and fire have been found to be ineffective. A study of the industrial training programmes in a few major countries found that training for a group of unemployed persons made no significant difference to their future earnings and employment or claims for unemployment benefits. To quote the OECD report, "Indeed, a high turnover will weaken the human capital and productivity gains that normally come with more stable work arrangements and practices". Secondly, the OECD report points out that flexible policies of hire and fire cannot but have a damaging fall-out for the training that employees receive; such a system does not facilitate the promotion of a work place with sophisticated skills and healthy labour attitudes towards better productivity and efficiency.

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Partyless Polls to Powerless Panchayats

Tilak D Gupta

Neither the Janata Dal nor the Congress is interested in the devolution of powers to the panchayats, even though this would mean little more than a marginal shift in decision-making authority.

THE news that the panchayat polls would be held soon in Bihar has roused considerable interest among the major political parties in the state. That is not really surprising, given the fact that the elections to these village-level local bodies were last conducted, way back in 1978. Though the Bihar chief minister, Laloo Prasad Yadav, after coming to power more than three years ago, did initially make noises about holding early panchayat elections, no follow-up action was taken to fulfil the promise at that time. Meanwhile, the panchayats were kept in a state of suspended animation through promulgation of ordinances from time to time.

But with the coming into force of the 73rd Constitution Amendment Act, 1993, that has made direct elections to village, intermediate and district level panchayat bodies, mandatory every five years, Laloo Prasad Yadav has apparently woken up to the need for an early poll. What obviously interests the Bihar chief minister most is the fact that the central act leaves it to the state legislatures to make "provision for reservation of seats in any panchayat or office of chairpersons in the panchayats at any level in favour of backward class of citizens". As a matter of fact, Yadav has lost no time in announcing that reservation of seats for the backward castes would be made in proportion to their population in the state. For ascertaining the strength of the backward caste population in Bihar, the chief minister has urged for an immediate caste survey to be done by the state administration.

True to his new-found enthusiasm for reinvigorating the panchayati raj system in the state, the Bihar chief minister took the initiative for holding a number of all-party meetings at the state capital, Patna, in an effort to evolve a consensus regarding the nature of a new panchayat law required for holding the elections. Already, the Panchayat Raj directorate of the Bihar government is working overtime to give final shape to a draft legislation for amending the existing Bihar Panchayat Act. Such an amendment, it may be recalled, has become necessary to bring the state law in line with the 73rd Constitution Amendment Act. The central act, for example, has laid down the guidelines for the composition of panchayats at various layers,

proportional elections and reservation of seats, including that of chairpersons, for scheduled castes, scheduled tribes and women. Besides, the 73rd Constitution Amendment also stipulates the constitution of a state finance commission for allocating resources to the panchayats under various heads. The state panchayat law therefore, has to be suitably amended to incorporate these mandatory provisions.

Those hoping that a regime led by Janata Dal—a party vocally advocating decentralisation of economic and political power—would devolute some real financial and administrative authority to the Bihar panchayats, however, are in for a big disappointment. Going by the pronouncements of the chief minister, the Janata Dal government, like its Congress predecessors, is showing a distinct unwillingness to critically evaluate the failed panchayati raj experiment in Bihar in order to inject life to these virtually defunct bodies. The suggestions made by the state government representatives, in the all-party meetings, for instance, virtually skip the issue and instead deal primarily with the various technicalities of holding the panchayat polls. Secondly, the present regime too, by all accounts is disinclined to plug the loopholes in the state panchayat laws that made all powers granted to the panchayats on paper, inoperative in actual practice.

Indeed, the Bihar Panchayat Act, 1947, the first of its kind in post colonial India, presents a classic example of the gap between the law and reality. As it is, the umpteen amendments made to it from time to time, the plethora of clauses and sub-clauses and the legalist verbiage, makes it a decidedly unreadable document. Going through the agonising experience of deciphering an act which is professedly meant to equip the rural folk in the business of running the bodies of village 'self-rule', one comes to understand better how the Indian law-makers made it a point to make the statute books as unintelligible as possible for the common people.

More pertinently, one seldom comes across a piece of legislation that so flagrantly contradicts the ground realities of rural Bihar. Look at the act to discover how the chairpersons of the panchayats are made accountable to the village assemblies holding their meetings at regular intervals. Turn to real life to know that such assemblies are absolutely unheard of in the Bihar countryside. Read the law to find that elaborate provisions have been made for the panchayats to raise resources through a variety of taxes, levies and fees. But enquire at any Bihar village to learn that these local bodies have never been allowed to raise any finance of their own. Again, for form's sake, the act does grant elaborate administrative and judicial powers to the panchayats. But what is bestowed in one clause is taken away through another sub-clause that makes such powers dependent on executive sanction. As a number of informed observers of the Bihar panchayat scenario note, the act is so formulated that a simple letter from the chief secretary can invalidate most of its provisions.

Leaders' Reluctance

Interestingly, the all-party meetings held to discuss the amendments to be made to the existing act, demonstrated a remarkable unity of thought between the ruling Janata Dal and the Congress, the main opposition party in Bihar, on the question of keeping these 'institutions of self-government' non-functional, as before. Going by their recent utterances, both Laloo Prasad Yadav and the leader of the opposition in the state assembly, Jagannath Mishra, seem to be equally disinterested in granting any real administrative or financial power to the panchayats. While the Bihar chief minister is not prepared to go further than making delightfully vague promises about more power to panchayats, Mishra, skirts the issue by talking about granting more judicial power to these bodies. The Bihar Panchayat Act, it needs to be mentioned, unlike the laws of some other states, provides for a judicial wing of the panchayat to deal with petty crimes and local disputes.

The reluctance of these two leaders to devolve some authority to the panchayats appears all the more striking because of their reputation as champions of more fiscal powers to the state. While Yadav's outbursts against growing centralisation of power at Delhi has often hit the headlines in recent times, it may not be equally known that Jagannath Mishra as chief minister, has been most vocal among the state Congress leaders protesting against centre's discriminatory attitude towards Bihar. Evidently, according to this kind of view, devolution of power from Delhi should stop at Patna, and go no further.

What, however, demands a deeper analysis is why both the Janata Dal and the Congress are unwilling to shed some power to the panchayats when in the given socio-economic set-up, that would perhaps mean little more than a marginal shift in decision-making authority from the district level officialdom to the dominant class-caste combines in the Bihar countryside. To put it another way, it may be profitable to examine whether the socio-economic forces that prompted Ramkrishna Hegde to grant a certain amount of power to the panchayats do not exist in Bihar to pressurise Laloo Prasad Yadav to effect even a Karnataka-type reform of the Bihar's panchayati raj system.

Pending a detailed study of the subject, one may venture to suggest that the dominant class-caste combines in the state themselves are not quite enthusiastic about partially taking up the task of planning and executing rural development with corresponding accountability to the people. Shorn of rhetorics, that would in point of fact, have merely amounted to strengthening the capitalist sector of the agrarian economy by using the panchayati raj institutions. But the upper caste rural gentry in Bihar, traditionally aligned with Congress, by and large did not get transformed from zamindars to capitalist farmers. Rather, this class has in the last four decades or more, used its pre-eminence in the panchayati raj system as yet another instrument to siphon-off development money, of course, in connivance with the local bureaucracy. The total bankruptcy of the state-level financial institutions and collapse of the co-operative movement in the state, do bear an eloquent testimony to the looting spree of this class.

This primitive accumulation through plunder of state resources obviously needed and got political protection. That in turn, gave birth to a well-entrenched patronage network linking the political bosses at the state capital to the 'mukhias' (chairpersons) of the panchayats, for sharing of the unearned income. In such a situation, the village-level vested interests are neither keen to give up their middleman role between a growingly inaccessible and heartless bureaucracy and the people, nor to break the existing patron-client relations with their political masters.

The upper strata of the backward castes that have come up in recent times, in comparison, generally had a more industrious background either as non-cultivating 'ryots' actively supervising the agricultural operations or as well-to-do cultivating peasants. But in a milieu where non-participation in productive work signifies social status and corruption enjoys social sanction to a large extent, this strata with growing prosperity, has also begun to ape their upper caste brethren. The struggle of the neo-rich among the backwards, to speak the truth, is not for destroying the patronage network based on usurption of development money, but to rebuilt it, in their favour.

Moreover, from the ruling party's point of view, giving more power to the panchayats is also fraught with grave consequences considering the growing spread of the rural poor's struggle in large parts of rural Bihar. As it is, the panchayati raj institutions have not become a part of the political system proper and have not posed any threat to the established centres of political power. But given the fact that the militant organisations of rural poor so far have remained more effective in changing the power equations at the grass roots, some genuine power to the panchayats may indeed, lead to the emergence of alternative power centres posing a challenge to the state-level political authority. That is a possibility which the ruling circles will wish to nip in the bud, for obvious reasons.

It follows that Laloo Prasad Yadav's primary concern is to carry through the present backward caste dominance in Bihar politics right up to the panchayat level, by building an alternative network of influence-peddlers and wire-pullers. No wonder, the Bihar chief minister is most vociferous about reservation

of seats for the backward castes and insists on non-party polls. Caste polarisation at election time, instead of a party-wise division, plainly suits Yadav's interests better in a state where backward castes alone, are estimated to constitute roughly half the population.

The upper caste Congress leadership equally keen to safeguard its old dominance over the panchayati raj system, is however, in no position to openly oppose the reservation of seats for backward castes in a province that has come to be known as the Mandal-land. Though perhaps fighting a losing battle, the party in an attempt to engineer a split within Yadav's backward caste-Muslim alliance, has come out with a counter-proposal for reservation of seats for the Muslim community. Further, the Congress has also demanded that the bulk of the reserved seats for the backward castes should be kept aside for the most backward sections among them.

As the things stand, what therefore seems to be really on the cards in Bihar, are partyless elections leading merely to powerless panchayats. For the moment, the ground realities of rural Bihar, apparently, do not permit a moderate dose of grass roots democracy even in the most narrow official sense of the term. Nevertheless, the panchayat elections, whenever held, promise to be bilaterally contested with violence that might surpass all records. That is simply because of the fact that though the panchayati raj has been an unmitigated disaster, 'Mukhia raj' remains a tempting proposition for the aggressive and powerful dominant class-caste combines, with the added Jawahar Rojgar Yojna charm of recent times.

Textile Mills of Assam

Is Privatisation the Answer?

Sriparna B Baruah

In the mid-80s when everywhere in India centralised weaving units were on the way out, the government of Assam established weaving complexes and process houses in the public sector. The recurring losses have now forced the government to attempt to privatise these units.

IN Assam the synthetic mills were promoted in the public sector as downstream units of the BRPL and were expected to in turn promote the decentralised power loom and hand loom sector and other related economic activities to this end. The mills were conceived at a time when the cotton textile industry in the country was reeling under one of the worst ever recession. But the textile industry in the country was often characterised by such ups and downs—good years were invariably followed by disastrous ones. By the time these mills were put on commercial production the synthetic spinning industry was flourishing elsewhere in the country.

The spinning units of all the three textile mills of Assam under the industries department, Assam State Textile Corporation (ASTC), Assam Polytex and Assam Syntex (ASL) were established in the middle of 1980s. The ASTC had been envisaged as an apex body for the planned development of the textile sector in the state. This was however not realised and the weaving complexes and process houses were also approved in the public sector. When everywhere in India, centralised weaving units were on the way out, the government of Assam established such weaving complexes each promoted by one of the existing spinning mills, viz, APOL, ASTC and ASL.

The total equity investment of the state government is around Rs 30 crore. The loans given by the state government amount to another Rs 8 crore approximately. Thus the total outgo of funds from the state government has been about Rs 44 crore.

Established under this background the performance of spinning mills has been far from satisfactory. A comparison of the Assam mills and the all-India mills make it more evident.

(in per cent)

	Assam Mills	All India	Scope of Improvement
Capacity utilisation	50-60	95	45
Efficiency/ total	65-73	92	25.3

The capacity utilisation of the weaving and processing units of ASTC and ASL is very low. One of the main reasons for this is the low working capital sanction from the banks.

The weaving operation is also not profitable in the centralised sector set up with large overheads. Even private business houses have disbanded weaving units in the face of competition from the decentralised weaving sector which operates at negligible overheads. The process houses also require a much higher degree of professionalism and expertise as compared to spinning mills. The production of the weaving and processing units is very poor. The capacity utilisation of the weaving unit of ASTC is 12 per cent and ASWMCO is between 38 and 40 per cent. The processing house of ASTC utilises only 2.5-3 per cent of its capacity. The ASWMCO is yet to be commissioned.

On the whole, the performance of the three synthetic mills has been very discouraging and till 1991-92 the mills have been incurring huge net and cash losses. The outlook for the future also looks very bleak because there are a few more problems which the mills are likely to incur in the near future: (i) there would be the impact of revised pay scales, (ii) there has been a hike in the excise duty on yarn but the selling price has not risen proportionately, (iii) the sales tax exemption for purchase of PSF from BRPL has expired for all the mills, (iv) the power tariff has gone up, and (v) the VSF shortage has become more active.

There is little likelihood of the state government being in a position to provide funds for making up each losses. In such a situation, the spinning mills seem to be leading for certain closure in the near future.

Performance

The poor performance of the mills has been because of a number of factors, some of which are uncontrollable, some are partially controllable (by the management) and some are controllable. Factors like proper planning, time and cost overruns and imbalances in some machinery are beyond the control of the mills at present. Besides these, there are certain partially controllable factors.

The synthetic mills are plagued with a perennial shortage of viscose staple fibre (VSF). In this connection the efforts made by Assam Polyester Co-operative Society (APOL) to solve the problem is really commendable. APOL has changed its raw material to 65 per cent polyester staple fibre (PSF) and 35 per cent of VSF. This change in ratio has also enabled APOL to produce more yarn with the same amount of viscose.

The power position in the state has been very unsatisfactory and the mills are being affected by this to a great extent. However it has been found out by NITRA teams' report that proper utilisation and maintenance of the DG sets can solve the power problem to a great extent.

The yarn price has not increased in proportion to the hike in excise duty, this has also been mainly because of deficiency in the marketing strategy. Besides the problems stated above, there are certain other problems and these problems have arisen mainly because of certain shortcomings of the management and these are all controllable factors.

The labour productivity is very low. This has resulted mainly because of poor training and motivation. The workers are not educated about the norms they are supposed to achieve and the shortfall in performance. The low productivity standards have been allowed to continue and have now almost been recognised as the norm for all the mills. The

labour absenteeism is comparatively high particularly during night shift and festival time. It is stated that there is no work culture. But no attempts have been made to improve work culture through orientation, training, incentives and cultivation of a sense of belonging among the workers. There is also poor supervisory control over workers resulting in loss of production, low spindle speeds, unnecessary stoppage of machines, etc.

Market realisation is poor and this is mainly because of substandard quality, distress sales and corruption. No attempt has been made to diversify and plan more profitable product mixes. There is lack of accountability at all levels, also lack of thorough monitoring and reporting system. The various MIS records maintained by the mills are confusing and do not help to control the critical operations.

The spinning mills in the public sector were established with a view to promote textile industry in the state, viz, weaving, processing and textile units, for example, readymade garments were expected to get a fillip due to local yarn availability. Unfortunately this has not happened, despite huge government investment of about 36 crore in public sector textile units, they have contributed little to the growth of textile sector in the state. The three public sector mills have been producing about 200-MT of PV yarn per month. However they are sending majority of their yarn to Bombay and outside places.

The local power loom units are starved of yarn and this is a major constraint in improving capacity utilisation of power loom units. It is indeed unfortunate that the public sector spinning mills which were established with government fund should totally disregard the needs of the weaving units located within the state and continue to supply outside the state. One reason quoted by the spinning mills for not supplying yarn to local units is that these units do not pay in cash. The so-called cash sale of yarn to Bombay agents actually involve a credit of not less than 27-30 days—(1) transit period of 10-16 days, (2) holding period in Bombay prior to final sale maximum—10 days and average five days, and (3) cash recovery period of seven days from the date of lifting.

Again when yarn is sold outside Assam, the following extra costs have to be incurred: (1) transportation cost Rs 2 per kg, (2) cash discount—1.5 per cent on sale price, (3) commission —2 per cent on sale price, and (4) CST— 2 per cent. The actual sales rate is also often not quoted correctly by the spinning mills when fixing yarn prices for the local units. No attempt has been made to cultivate the local weaving market in power loom and hand looms. The original intention behind the establishment of public sector spinning mills was to promote downstream weaving units. This plan is totally defeated as the entire yarn is being sent outside the state.

The mills are all facing problem of working capital. Yet there is lack of initiative of the management (particularly ASTC) to procure job works. The machine maintenance is also not satisfactory. There is a lack of concern on the part of the management to improve the existing situation. This is probably because no one really has at stake the performance of the mill nor is any one accountable for poor performance. The management normally puts the blame of every thing on shortage of raw materials, unreliable power supply and inadequate working capital. Every year proposals were being presented to the state government to (a) compensate for cash losses, and (b) purchase of equipment to increase production/productivity. While presenting the proposals a rosy outlook for the future was presented and very soon this was forgotten.

It would however be a mistake to think that the textile units are intrinsically unviable. There are certain factors which make the textile units quite attractive and present a picture very different from the one presented by their current operational results.

—The machinery is new and reasonably in good condition. With a little expenditure on repairs, the machinery belonging to ASTC would be worth the value of new machinery of the best quality.

—The layout and infrastructure of all the mills is excellent and there is adequate scope for expansion.

—There is no surplus workforce. This is a very significant strength which does not exist in other public sector undertaking of the state government.

Two clear premises arise out of the above are: (1) the poor functioning of these textile units has been largely due to mismanagement, and (2) the state government is not in a position to offer continuous budgetary support to make up for the losses.

In this background, the committee on textile units under the industries department which was advised to deliberate on the options for reorganising/restructuring of the textile units has felt that it has become expedient to go in for private sector participation and for this purpose regrouping of the mills would be necessary. The committee had recommended partial disinvestment, therefore private placement with transfer of management (joint sector). Based on the recommendations, the government has started the process of privatising the textile mills.

The government has taken the decision to transfer 89 per cent of the shares of these textile units to the private sector. The advisory committee had recommended a disinvestment of 25 per cent in order to enable the government retain its control over the board. Again, it has been observed that prior to the final decision of privatising the mills, the management of ASL in consultation with the employees union had submitted a proposal to the state government on how the employees proposed to run the mill. In its effort to privatise textile mills, the government seems to have disregarded other viable alternatives for running the textile mills.

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OBITUARY

A K Ramanujan

A R Venkatachalapathy

A K RAMANUJAN (AKR) passed away suddenly on July 14, at Chicago. Born in Mysore into a Tamil brahmin family, AKR had, as he was fond of remarking, two mother tongues: Tamil and Kannada. For a while he taught at Madurai before he went to the University of Chicago in 1962, where he eventually became professor in The Department of South Asian Languages and Civilisations. AKR was a poet, translator, folklorist and linguist. He was equally proficient in all these vocations, but as a student of Tamil, I would like to believe that he will be chiefly remembered for his translations of classical Tamil poetry.

AKR's affair with Tamil poetry had a dramatic beginning. On one of his first saturdays in the University of Chicago, 'the ignorant heir' to arguably the longest unbroken tradition of poetry in the world went looking for an elementary grammar of classical Tamil but ended up sitting on the floor between the racks browsing through an anthology of classical Tamil poetry. The accompanying prose commentary unlocked the doors to 'realms of gold'. "Even one's own tradition is not one's birthright", he was to write later: "it has to be earned, repossessed". Translating classical Tamil poetry into English was AKR's way of earning and repossessing his Tamil tradition.

Some years later, *Fifteen Poems from a Classical Tamil Anthology* (1965) was to issue from the Writers' Workshop, Calcutta. It was to be followed by a fuller translation of love poems from the *Kuruntokai, The Interior Landscape* (Indiana University Press, 1967) to rave reviews and enthusiastic response. The evocative phrase, 'the interior landscape', which AKR employed to suggest the richness of Tamil love poetry with its close association of romantic moods and situations to the physical milieu and environment has since been referred to one knows not how many times. By 1985, a more comprehensive selection, *Poems of Love and War: From the Eight Anthologies and the Ten Long Poems of Classical Tamil* (Columbia University Press, 1985), which attempts to represent the entire corpus of ancient Tamil literature, was published.

These translations not only won a name for AKR, but also secured for Tamil its rightful place in the literatures of the world. Ancient Tamil poems are now a standard presence in many anthologies, thanks largely to AKR. Some Tamil scholars have pointed out that, apart from quite a few mistranslations, AKR's English versions also reveal an excessive reliance on commentaries. Be that as it may, objectively speaking, there is no gainsaying that AKR has achieved more than anybody else in this sphere. His sensitivity to the nuances of the English language (especially American English) and its idiom has contributed in no small measure to his success. Many of his translations communicate on their own and stand independently as poems in English. This is not to take away credit for the skilfully-written, scholarly introductions and afterwords, which enriched the poetic experience of the readers. There is a beautiful poem which AKR has translated thus:

> Enemies,
> take care
> when you enter
> the field of battle
> and face
> our warrior
> who is like a chariot wheel
> made thoughtfully over a month
> by a carpenter
> who tosses off eight chariots
> in a day.

One is tempted to think of AKR's translations as such chariot wheels.

Apart from ancient Tamil poetry which is about two thousand years old, AKR has also translated the Tamil devotional poetry of the seventh century Vaishnavite saint Nammalvar (*Hymns for the Drowning*, Princeton University Press, 1981). It may be no exaggeration to say that, in AKR's death, Tamil has lost the most. With no able translators around (save a few like M L Thangappa), non-Tamil readers have little to look forward to from the considerable riches of Tamil literature.

AKR has also done his bit for his other mother tongue, Kannada. Apart from two collections of poetry and a novel in Kannada, he has also translated the radical poetry of the Veerasaiva saints (*Speaking of Siva*, Penguin, 1973). U R Ananthamurthy's acclaimed novel *Samskara* has also appeared in AKR's sensitive English translation. At the time of his death, AKR was rehearsing Girish Karnad's Kannada play, *Naga-mandala*.

AKR's translations were first published when foreign scholarship on India was moving away from Indology, with its exclusive emphasis on 'the Great Tradition' as exemplified in Sanskrit, towards other aspects of India's plural (if not rival) traditions. AKR's translations are best seen in this context and have also contributed in no small measure to this shift.

AKR is a highly rated Indo-Anglian poet, whose published collections include *Striders* and *Second Sight*. Included in a number of anthologies, his poems have also found their way into Indian school and college textbooks.

Apart from his literary accomplishments, AKR was also an acclaimed folklorist. *Another Harmony* (Oxford University Press, 1986), which he edited with Stuart Blackburn, presents critical essays on Indian folklore. More recently he published *Folktales from India* (Viking, 1993) where he retells a number of Indian folktales in his inimitable style.

As an academician, he published a number of scholarly papers, which appeared in various edited volumes and journals. His 'Indian Oedipus', 'Is There an Indian Way of Thinking?', etc, are some of the more acclaimed ones. Though he often tended to repeat himself, AKR wrote in the most engaging fashion. An apt tale in the beginning, a metaphor mixed to make his point, a newly-coined phrase, quotations skilfully woven were all hallmarks of his papers. It is a pity that his papers have not been put together as a volume so far. It is hoped that some of his colleagues will take the lead in this matter. it would no doubt be a fitting tribute.

AKR inspired three decades of South Asian scholars in the US, as a teacher and research supervisor. With the welcome emphasis of American Universities, unlike those in England, on acquiring at least rudimentary skills in the language of the field area, a number of scholars have gained from AKR's expertise. Few indeed are the scholarly works on south India, produced from American universities, that do not owe something to AKR.

AKR received much acclaim in his own lifetime. He was awarded a Padmasri by the Indian government in 1976 and a MacArthur Fellowship in 1983.

Born in 1928, AKR had many more years of poetry and translation in him. His sudden death comes as a shock, and it will be long before we can reconcile ourselves to the loss.

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Teaching Women's Studies: The Problems

Vimal Balasubrahmanyan

Women's studies, like the women's movement itself, is under constant threat of getting hijacked.

I REMEMBER how excited I was when I first came across the expression 'women's studies'. It was in the early 80s and there was this book I had picked up from the British Library, *Half the Sky*, a collection of scholarly articles on a variety of women's issues. It said a lot of things which I recognised to be true, either because I had experienced it myself, or had observed it, but had never thought of analysing and articulating. It sounds dreadfully common place today to say that the personal is political but when one discovers it for the first time there is exhilaration in knowing that something which you have all the time tried to deny even to yourself is actually a valid way of looking at things. And to be told, as that book told me, that all this is 'knowledge', worthy of being recorded, researched and theorised, and actually put into textbooks, made one feel that there is some meaning to life after all. It opened up a whole new world in which the possibilities seemed infinite.

The possibilities are still infinite but the probabilities make one feel sceptical, even cynical. For women's studies (WS), like the women's movement itself, is under constant threat of getting hijacked. UGC-supported WS cells and centres have sprung up all over the place. According to one list there are at least 37 universities/colleges and 26 autonomous organisations promoting WS in 16 states and union territories. A directory compiled by SNDT University has a mind-boggling array of WS courses offered at undergraduate and postgraduate levels in colleges all over the country, complete with syllabi and reading lists. The Indian Association of Women's Studies has conducted six national conferences over the last 12 years. And every major and minor publishing house has a long and growing list of WS titles.

Surely a matter for rejoicing it might be thought, but it is this highly quantitative phenomenon which makes one seriously wonder what on earth is going on under the guise of women's studies. Apparently it has not only found a place in higher education, it is also succeeding in digging its heels in.

During the last decade workshops and seminars have been organised at various universities to discuss how WS can be promoted. One objective has been to get die-hards in academia to acknowledge the validity and necessity for introducing the WS element into curricula, orienting teachers and planning new courses with a WS component. Another objective has been to share experiences in teaching WS and to identify the problems and lacunae which have surfaced as a result of WS getting the official nod from authorities like UGC and ICSSR, even though university establishments largely remain hostile or indifferent.

Teacher orientation seems to be the single major problem. For although there are no hurdles to conducting research with a feminist perspective, teaching WS is an altogether different kettle of fish. By and large feminist academics teaching postgraduate social science appear to have relative freedom to design courses on women and conduct these with both rigour and ideological perspective. The problem comes when a teacher who does not have the perspective is required to teach a structured, compulsory course especially to undergraduates. It is not easy (I personally think it is impossible) to persuade teachers to subscribe to an ideology through orientation courses. This is one reason why many WS proponents have misgivings about the whole business. For, women's studies *not* taught is more likely to serve the feminist cause than women's studies badly taught.

Another problem is the paucity of appropriate teaching materials. It is pointed out that there is plenty of published stuff available, containing masses of information, but very little of it is in a form appropriate for classroom use. Much initiative is required from teachers to compile this suitably but why are they going to bother unless they feel some sort of personal commitment to the cause? Besides, library personnel too need orientation to be able to look for and collect material from unconventional sources which were earlier not regarded as academic sources at all. Obviously academia is not going to turn feminist all of a sudden simply because UGC has responded to demands from activist teachers and decided (very reluctantly, I suspect) to support women's studies.

Assuming that in spite of this orientation problem some headway could still be made if basic teaching materials were available, what is needed is the sort of initiative described by four American teachers from the disciplines of economics, sociology, psychology and political science. Co-authors of a textbook, *Women Today* (1980), they explain in their introduction how they started teaching an interdisciplinary seminar in a WS course and found that there was no text which satisfied their requirement. "Our solution was to prepare a text which met our needs."

Considering that there is a boom, bordering on an explosion, in WS publishing, it seems odd that the absence of classroom material and curricular texts is not being tackled. A columnist who writes on the publishing scene remarks that an aspiring author need have no trouble finding an eager and willing publisher as long as the subject is woman. Which perhaps accounts for the large volume of verbiage coming continuously into print, only a fraction of which is worthwhile stuff.

On the one hand, there is a growing pile of studies on women many of which lack even a basic ideological framework. (Putting together heavily referenced data on women and explaining it away with a vague argument of women's oppression/subordination/ historical invisibility—the WS buzzwords—seems to be the easiest thing in the world.) On the other there is also a growing body of solidly researched work, couched in dense, polysyllabic polemic and impossible to make head or tail of. Like the collection of essays written by some of the current stars in feminist research which figures in Delhi University's MA History reading list. I believe I have enough of grounding in feminist analysis to attempt to read a postgraduate text but I found the opening chapter such an obstacle race that I could only sympathise with the earnest student who said he had even tried breaking sentences into individual clauses in an effort to decode the message but found the going too tough.

An economist whose contributions to women's studies are highly respected (and have never found any jargon in her writings) tells me that turgid prose is typical of all social sciences, not just women's studies. All the more reason then for WS people to avoid the pitfall of being incomprehensible and making sure they get across to the people they are trying to reach—people whose support or conversion they can by no means take for granted.

As a contrast I would like to offer the example of a chapter on 'Women and Society' which I chanced upon in a textbook prescribed for sociology undergraduates at MS University, Baroda. It is a British publication aimed at both students and the general reader, and the 36-page section on women puts together in reasoned terms the arguments of different schools of thought over time. It gives due place and emphasis to feminist interpretations and theories and handsomely acknowledges the contributions of the women's movement in transforming various aspects of sociological analysis.

Free from jargon and shrillness, the summing up on 'sociology, ideology and women' shows that it is possible to take sides and also sound convincing. Even an unconverted student could not deny that the argument makes sense. Which surely is why women's studies has to be taught—because it makes sense, not because it is ideologically correct.

India's Supercomputers

M G G Pillai

India has produced four parallel-processing supercomputers which, while not as fast as the Cray or other supercomputers on the international market, come at a tenth of the cost of the others. Selling them overseas, however, will be tough without adequate servicing facilities and appropriate software.

INDIA's unexpected rise to be only the world's third country to manufacture supercomputers, after the US and Japan, smashes a carefully nurtured colonial myth that science and technology could only develop in the better-endowed research laboratories in the west. Post-colonial challenges, by word and deed, to the west's dominating presence gather momentum. The west has to fight for what it once took for granted—its primacy in knowledge and technology.

India moved into supercomputers 11 years ago when Washington imposed unacceptable political conditions for selling a Cray supercomputer to the Indian Institute of Science in Bangalore. The Cray India bought earlier for weather forecasting undoubtedly benefited Indian agriculture, and outweighed the American insistence on a full-time minder to ensure that it was not used for military or nuclear weapons research The US position, conditioned by the cold war, also led to its complaint against the Soviet Union, as it then was, from supplying equipment for India's space research programme that could be conceivably used for military purposes. India needed supercomputers for space, medical, agricultural, defence-related research, was unwilling to allow outsiders access to its research and set out to build them. The result is, as yet, four parallel-processing supercomputers, not as fast as the Cray or the other supercomputers on the market, but a tenth of what the others cost: the Flosolver, the PARAM, Chipps 16 and ANURAG. Indian institutions have installed at least two dozens of them.

These supercomputers, even without the 'bells and whistles' of their rivals, have one in-built advantage: India's dominance in front-rank computer programs. Hewlett Packard found so many of its programmers were Indian that it shifted most of its software development unit from the US to Bangalore. Swissair's computerised global accounting system moved lock, stock and barrel to Bombay. Barclays Bank and British Rail engaged Indian software developers for state-of-the-art software to run their business at a fraction of what they would have paid western software houses.

India sells the supercomputers overseas, but its toughest battle is to convince potential clients of the supercomputers' hardware maintenance and software compatibility with state-of-the-art features. It has one advantage though, especially if it were to write programs that works exceptionally well on home grown supercomputers, for its international clients, at a fraction of what they would cost on Japanese or US supercomputers.

The US scientific establishment forced the Massachusetts Institute of Technology (MIT) a few years ago to reject an offer of an NEC supercomputer, when American manufacturers could not come up with a suitable machine. A Japanese supercomputer in a leading scientific research institution would mean, so it was argued, the availability of operating systems and software, to give it an unfair advantage over American manufacturers. When NEC offered supercomputers free or at nominal cost to other American scientific establishments, there were also no takers.

The Indians can expect problems similar or worse for their supercomputers in the west and the third world tends to disparage comparable products from the third world. New Delhi's main problem is to prove how good her supercomputers are but they mesh hardware competence with software brilliance for the computing power it produces that Washington now wonders if, unwittingly, it has played midwife to a potentially serious competitor.

The British National Health Service survived on doctors from erstwhile colonies whose peoples the British even now look down upon. The west's Canutian insistence that nuclear weapons be manufactured by, and restricted to, those countries which already have them is unacceptable in the same way as its restrictions are on transferring scientific and technological developments to the rest of the world. Political and economic superiority by, and colonial dominance of, one over the other worsens the east-west (or north-south) divide. Those in poorer countries inevitably reject conditions that maintain the *status quo* as much as the industrialised countries want to preserve them for commercial and political advantage.

Knowledge expands frontiers of the centuries ahead, as industrialisation did these past two centuries. Political, economic, scientific, technological restrictions can hold back progress to a point but someone—often, these days, from countries which the west least expected them to—will always make a better mousetrap. The flow of third world 'brains' to the industrialised west will always continue, the numbers depending on how liberal immigration policies are at any given time. But it is as difficult to prevent an India, a South Korea or a Taiwan from making a super-computer as it is to prevent New Delhi, Islamabad, Tel Aviv, Pretoria or Pyongyang from making a nuclear device.

But the west reins in those it does not like, or do not behave as expected. The west's destruction of president Saddam Hussein's western financed developmental edifice in Iraq is well known. North Korea is challenged about its nuclear programme, Israel is not. The west ignored South Africa's, which became known only when Pretoria announced it But the processes of growth of technological expertise are irreversible.

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Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly. Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century. In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues, have been largely obfuscated it is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it

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Patalganga: River Fighting for Life

Ashish Chadha

Patalganga a short river which meanders through many villages near Bombay providing drinking and irrigation water and a livelihood to fisherfolk is rapidly being polluted by the rampant growth of industries.

INDISCRIMINATE dumping of effluents into the Patalganga river and contamination of air with toxic fumes from major industries in Raigad district has resulted in large-scale air and water pollution severely affecting the teeming population of this area, economically as well as physically.

Industries in the area particularly Hindustan Insecticides (HIL), Hindustan Organic Chemical (HOC), the Maharashtra Agro-Industries Development Corporation and the private sector company Lona flush out about 35,000 litres of effluents into the Patalganga river. Despite claims of treating effluents, there have been a number of instance of shoals of floating dead fish in the river, and crops have been destroyed. A case in point is the sweeping away of drums containing chemicals (along with residual chemicals) into the river during the flood in 1989 causing large-scale fish-kills. In fact, a source from the water works department of Chavane dam disclosed that so toxic was the water that even the dreaded dysentry causing bacteria could not survive in it. Due to such enormous amount of fish-kill many fishing villages have virtually been wiped out.

The water of the river close to Apte village reeks of chemicals that freely float over the surface. Pipelines carrying sulphuric acid to the industries at Rasayani sometimes rupture oozing a frothy white acidic fluid. These factories not only dump the liquid waste into the river but have been dumping solid wastes on land kept fallow by the farmers. They have hired contractors who lease land from unsuspecting farmers to dump wastes. Some of the fallow fields have streaks of bright blue on the ground—a sign of the copper sulphate content of the waste. During the rains, the colour enters the river. Farmers complain that fields can no longer be used, but dumping continues. Private sector company, especially Lona, freely dumped chemical wastes on the countryside, marring the scenic beauty. However, fearing surprise checks from the collector, the mounds of chemical wastes are covered with mud and gravel.

Other source of pollution of Patalganga river water is due to the release of sullage and sewage from the Khopoli township and the washing of trucks used for carrying chemicals in the river. Random samples of waters taken from villages on the bank of the river and sent to the government laboratory in Pune have revealed appalling information. Laboratory officials contend that all but one sample was fit for drinking. The figures in the report and a comparison with the permissive limits laid down by MPCB show that toxicity of water is very high. Water samples from villages near HIL, HOC and Turade Nalla near Rasayani emit a foul smell and are hazy in colour and turbid. Free and saline ammonia which should be nil in water was 3,600, 360 and 710 parts per million (PPM) in the samples. Biochemical Oxygen Demand (BOD) that should not exceed 20 was high as 50 and 325 PPM in HOC and Turade Nalla sample respectively. Besides, the PH value of the samples indicated acidity in water. The pesticide test too was positive.

Patalganga river, originating from the Sahyadri mountains ranges near Khandala, gains strength from the tail waters of Tata Hydro Electric project. It runs through Apte, Kharpade and Rawa, ending its short journey of around 65 km near Dharamtar in the Arabian Sea. Until the arrival of industries on its banks it provided the local people with fish and was used for irrigation. The drinking water scheme at Chawane waterworks between Apte and Ladivili village meets the needs of nearly 60,000 people living in 42 villages. The river therefore assumes a vital significance and is virtually the lifeline of a population of more than a lakh people including those at Khopoli.

The demands on this little river increased with the fast mushrooming of industries. By 1987 these industries numbered 150 units manufacturing a wide range of products such as alcohol, steel, pipes, detergents, paper and chemicals and not only discharged poisonous effluents but also perpetuated a massive deforestation all around. These industries lacked adequate measures for the treatment of disposal of hazardous effluents. Many new units are now coming up under the MIDC conveniently ignoring the Ganguly Committee report on Bhatsai river pollution which recommended that no chemical factories be allowed within three miles of the river, only small industries be allowed within five miles and major ones beyond eight miles from the river.

River water pollution is a serious health hazard too. Residents of Apte and Sarva complain of a constant throat and lung irritation. During morning hours visibility in the villages is almost nil and there are breathing difficulties owing to a heavy smog. Epidemics and hitherto unknown diseases are breaking out in the villages. Once an epidemic breaks out everyone denies responsibility or accuses each other, for the helpless public have no scientific monitoring system to identify the culprits. Some of the local doctors of the area are of the firm conviction that the river Patalganga has become the main source of many ailments of local people.

For the last few years local people have been voicing their protests but in vain. The Maharashtra Pollution Control Board (MPCB) has long ceased to be a pollution monitoring and controlling body and the government has no time to pay attention to such 'trivial issues'. MPCB officials say that Patalganga is an A-2 grade zone which stipulates that water should be fit for public supply after conventional treatment involving sedimentation, filtration and disinfection. But this ignores the chances of leakages and spillage of untreated chemical effluents. According to a spokesperson of one of the industries, conventional treatment is far from adequate in combating untreated effluents. In other words, every leakage would result in contamination of the river which supplies drinking water to the villages. Many industries are quick to point out that the effluents are not strictly pumped into the river as the pipeline carrying wastes have to extend into the saline creek of the river.

Following the enactment of various legislations, an effluent treatment plant is a pre-condition for approval from the government for setting up new industries. Renewal of approval for existing industries has also been linked to the industry acquiring treatment facilities within a fixed period. But MPCB officials admit that there is little they can do if the industries flout this requirement. "We do take legal action but only after several warnings have been issued."

Most of the major industries are equipped with treatment facilities. Effluents from each plant are detoxified, neutralised

and treated further before being disposed. However, such measures often collapse during heavy rains when the drains get flooded. For instance, Reliance Industries situated on the banks of Patalganga has storm water drains opening into the river. The Reliance complex producing polyester staple fibre and polyester is reported to have a full-fledged treatment plant with treatment for biological oxygen demand (BOD) and chemical oxygen demand (COD). But local people living close to the area allege that there have been occasions when effluents have been discharged through drains meant for storm water.

HOC, a government-owned company, manufacturing a range of chemicals needed for dyes, drugs and pesticides among others, boasts of wide-ranging effluent treatment facilities. Nevertheless, HOC along with Hindustan Insecticides and Lona Industries is facing a court case lodged by the Bombay Environmental Action Group on charges of pollution. HOC officials however lament, "Our openness as a public limited company has gone against us. Moreover, as the oldest company in the area, the entire industrial complex is identified with the HOC. Besides, there were no charges of pollution till private industries started springing up." The absence of complaints of pollution before may be attributed to the general lack of awareness prevalent at that time. HOC officials allege that the MPCB instead of carrying out specific investigations to identify the culprit, satisfies itself with sending out warning notes to all. Even those industries which have treatment plants may simply shut them off with none the wiser, till a complaint is made. The state government's environment department's officials acknowledge the truth of this.

Taking a leading part in a movement comprising of local villagers are also activists from the Yusuf Meherally Centre, which runs an integrated rural development project at Tara village on Bombay-Goa highway near Karnala Bird Sanctuary. Also active on the agitational front to save the Patalganga waters were prominent leaders of Peasants and Workers Party. The agitation has been spearheaded by an apex body called Patalganga Pradushan Nirmulan Kiriti Samiti comprising of the sarpanchs of the villages on the banks of the river and activists from the Yusuf Meherally Centre. The agitation began way back in the early 1980s when the doctors at the centre suddenly had an influx of people suffering from water-borne diseases and epidemics. On further investigation it was found that the pollution of Patalganga river may have been the reason for these health hazards. Social activists took up the issue and organised villagers to fight for their survival. By 1984 there had already been number of dharnas and morchas to protest against deteriorating environmental situation.

In 1988 the situation was aggravated due to massive fish-kills and deterioration in crop production due to lack of irrigation. This led to full-fledged agitations of rasta-roko, sit-ins, demonstration and picketing if the industries did not respond to their demand that the effluents from the industries be treated and then discharged into the sea. They also demanded the government to stop diversion of Patalganga to Nhava Sheva and other urban-settlements. The other demands included developing an alternative source of water supply, releasing more water into the river, setting up an independent laboratory to test water pollution and stopping new chemical industries in the area.

In the first week of January 1989, the agitation was postponed following an assurance given by the state government that it would persuade industries in the Khopoli belt to collectively raise a sum of Rs 70 lakh for the construction of an effluent treatment and dilution plant on the river banks, before it is discharged into the river. But this project was suspended and instead the Patalganga Rasayani Industries Association (PRIA)—a collective of industries on the banks of Patalganga—constructed a 7 km pipeline in the following few months. This pipeline runs from upstream of the river where water is comparatively cleaner to the villages and the fields.

This was a unique instance when a group of industrial units took up initiative due to pressure from local people and voluntary agencies with the help of city-based environmental groups has taken such steps for the common good. But, unfortunately the project ran into trouble at the commencement of the construction of the pipeline. The lackadaisical way in which PRIA undertook the project is visible. Today the pipeline has developed a number of leakages at the joints. The construction of the pipeline was taken so lightly that at a number of places it goes above ground level instead of three feet below ground level as stipulated in the plan. Where the pipeline runs above the ground leakages are more due to which neighbouring fields often get flooded with several inches of water. According to a spokesperson of PRIA this reporter was told that the association was not directly responsible for the leakages but were willing to pay for necessary repairs. Now again the Kruti Samiti is planning to launch an agitation to pressurise PRIA to pay for the necessary repairs and the damages caused. The Kruti Samiti has also decided to change their strategy. Instead of protesting against the individual industry they now plan to fight the MIDC.

Russia's Ailing Economy
Reviving Barter System

R G Gidadhubli

While the system of barter trade transactions is not a new phenomenon in Russia, there is a move today to promote and strengthen the system through the creation of barter trade centres.

IT is a well known fact that the Russian economy has been suffering from acute problems of huge budgetary deficit, hyper-inflation, widespread shortages, growing unemployment, adverse balance of payment, steep decline in production and so on. While there are no signs as yet of the abatement of crisis, Russians are trying to find ways and means to keep the economic wheel moving. The barter system is one of the means by which economic activities are managed in Russia today. According to V Nesterovich, the deputy director of the Institute for Research of Goods Transport and Conjecture of Wholesale Trade, barter trade transactions have an important role in the period of economic transition of Russia to a market economy. Writing in the Moscow weekly economic paper *Ekonomika and Life* (formerly the famous Russian weekly *Ekonomicheskaya Gazeta* published since November 1918, No 14, April 1993), Nesterovich has argued in favour of promoting barter transactions through the creation of barter trade centres (BTC) in Russia. But there is no unanimity among economists and policy-makers in Russia on these proposals. Moreover, even its relevance in the long run is questionable.

The barter system of transactions is not

TABLE: PERCENTAGE SHARE OF BARTER IN TOTAL PROCUREMENT

	1991	1992
Steel tubes	2	9
Finished steel metal	12	34
Coal	8	25
Machinery equipment	12	35
Coking coal	8	58

a new phenomenon in Russia. It existed under the Soviet socialist system and even expanded due to inefficiencies of centralised distribution of material and technical supplies. Soviet enterprises received material inputs from ministries for the purpose of fulfilment of given plan targets. In practice, enterprises always tried to get more quantities of the materials for building up surplus stock not only for fulfilling plan targets but for exchanging with other enterprises on barter basis in times of need. Although barter was officially prohibited and was considered illegal in the former Soviet Union, the barter system survived with the full knowledge of party bosses and government officials. In other words, barter system was considered a necessary evil for the functioning of the imperfect socialist economy. In fact, officials in charge of supplying materials in enterprises known as 'tolkachi' (pushers) were well oriented in the operation of this illegal market including knowing details of how much metal was needed for the production of a specific lathe or a machine or what would be the exchange equivalent of cubic metres of lumber for the specific quantity of metal. In other words, tolkachi worked out a system of equivalence of different items in barter deals in the absence of market prices for those products.

Under Gorbachev's policy of perestroika, enterprises were working in a new system which was marked by reduced centralised control of ministries and self-management. In effect this meant legalisation of barter trade. Subsequent to the disintegration of the former Soviet Union, there was a strong view prevailing in Russia that, the end of centralised distribution meant the end of barter. But in fact in the last couple of years there has been a sharp increase in barter transactions as observed in the case of 67 engineering and construction enterprises in Russia (see the table).

From the sample survey conducted by the state committee of Statistics of Russia, it is evident that barter deals have become very important for enterprises for their functioning in the transition period. Considering that rouble as a monetary unit has been fast losing its role, the economy is facing virtual hyper-inflation, earlier economic links are broken and the government has been losing control over enterprises, barter transactions have been saving the total collapse of the Russian economy. In this sense the tolkachi who know the details of supplier enterprises in the former Soviet republics and conversion norms for products well are able to keep the production machinery moving at this critical moment bypassing currency transactions.

What is true of domestic economy is also true of external economy. According to unofficial sources, about 40 per cent of foreign trade was accounted for by barter transactions in 1992. This is particularly the case so far as transactions among the CIS countries are concerned since there were close economic linkages among enterprises which are now situated in different republics of the former USSR

A paradoxical situation concerning barter system has arisen in Russia. Barter has not only become legalised but has also become a commercial secret. But at the same time it is often difficult to establish a barter transaction since there are separate entries in the documents for purchase and for sale in value terms in roubles. Sometimes barter transactions take place in a cyclical fashion, as in Tatarastan where, for instance, miners are provided with food products on barter basis, miners in turn give coal; coking coal is bartered to metallurgists who in turn give metal such as steel to other enterprises. Another important feature of the barter system is that till recently metal was the universal form of settlement of account among producer units and some portion of their material supply problems was solved through the medium of metal deliveries. Reportedly even at present metal is very frequently used for facilitating large payments. At present in Russia the usual system of contracts for material supplies are almost absent and there is a low level of discipline among enterprises with regard to the compliance of terms of contract. As a result various types of unions and associations have come up on the basis of territorial location, production links, or technological ties. Moreover, auctioneering societies have come up linking enterprises in several parts of Russia as in Volgograd and Ural, etc.

What are the prospects for barter trade in Russia? There is a strong view among one section of economists in Russia that barter has wide scope in future. This is based on the contention that barter as a form of organisation of trade has a role to play even in a normally functioning market economy. Hence it is argued that its role is legitimate and significant during the period of transition to a market economy. This argument is being reinforced by Nesterovich, according to whom there are over 400 barter clubs operating at present in the US and as such barter trade can flourish in Russia even after market economy is established.

As is well known barter systems by its very nature is very imperfect and is not suited to a complex modern economy. There are inherent problems of non-equivalence in barter trade arrangements. Moreover, there is inevitable imbalance in barter transactions. The contention of Nesterovich about the prevalence of barter system in the developed market economies and in the US appears to be highly doubtful and questionable. In view of this, proposals for prescribing barter system in Russia in the long term are not convincing. While barter system is flourishing in Russia at present due to exceptional politico-economic circumstances and as a result of the continuity of its role in the past, barter will not necessarily help the development of the market economy in Russia. On the contrary, perpetuation of this barter system as a government policy may hamper the creation and growth of market mechanism and institutions. Barter system will certainly not promote the achievement of the objective of integrating Russia with the world economy.

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'Vedic Mathematics': Myth and Reality

S G Dani

Ever since 'Vedic mathematics' was introduced in school textbooks in Uttar Pradesh last, there has been much curiosity about the origin of its contents, its authenticity and its relevance vis-a-vis modern mathematics.

OF late the term 'Vedic Mathematics' is acquiring a curious new meaning. While scholars as well as lay people would normally interpret it to mean something like mathematics from the Vedic scriptures or mathematics known in the Vedic times, etc, for a growing number of people, fast approaching an alarming proportion, it has come to mean the mathematics from a book called *Vedic Mathematics* written by Jagadguru Swami Shri Bharati Krishna Tirthaji Maharaja published in 1965 (by Motilal Banarasidass Publishers)! What does the latter have to do with the former? Nothing really, if one is to approach the question objectively. It has been known from the beginning that there is no evidence of the contents of the book being of Vedic origin; the general editor's 'Foreword' to the book and an account of the genesis of the work written by Manjula Trivedi, a disciple of the swamiji, make this clear even before one gets to the text of the book. No one has come up with any positive evidence subsequently either. There has however been a persistent propaganda of the material being from the Vedas. The claim has got entangled with a sense of national pride, as a result of which even well-meaning and educated people have tended to accept it uncritically. In the mid-80s the then human resource minister was reported to have made a statement in parliament about how this book showed that we had made great strides in mathematics in Vedic times and how there was a possibility that the sutras in the book could possibly lead to improvements in computers themselves! Large sums have been spent both by the government and several private agencies to support this 'Vedic mathematics', while authentic Vedic studies continue to be neglected. The emotional appeal generated by the attribution to the Vedas is also exploited to get enthusiasts, adults as well as children, to learn and spread the contents of the book. With missionary zeal several 'devotees' for this cause have striven to take the 'message' all around the world; not surprisingly they have even met with some success in the west, not unlike other kinds of messiahs of modern times, from this country. Several people are engaged in 'research' in the new 'Vedic mathematics'.

To top it all, when last year the UP government introduced Vedic mathematics in school textbooks the contents of swamiji's book were treated as if they were genuinely from the Vedas and swamiji's name was listed in a chart on 'brief history of Indian mathematics', with S Ramanujan's as the only other one from this century! A warped perspective is being forced on children in the name of revival of Indian heritage. Though temporarily it might seem convenient to glorify a modern swami who "discovered sutras in Atharvaveda" which "apply to and cover each and every part of each and every chapter of each and every branch of mathematics..." (quotation from the 'Preface' to the book), by doing so we would not only be harming the cause of proper pursuit of knowledge but it would be a matter of shame when the truth comes out. Our mathematical heritage offers a great deal to be proud about and efforts are called for to put it in perspective and make it widely known. On the other hand, mixing spurious material with it in an effort to achieve instant popularity would be counter-productive in the long run.

It is not the contention here that the contents of swamiji's book are not of any value. Indeed for a few elementary problems the book does offer quicker solutions than by standard methods (though the comparisons made in the book in this respect are facetious and misleading). Its judicious use may also be of some help in enabling children to enjoy mathematics. However these aspects should not be allowed to cloud the issue of the origin of its contents or create a false picture of their providing solutions to all kinds of problems. The intellectual upbringing of a whole generation would be at stake, if improper attitudes championed by vested interests are allowed to persist.

The book contains 16 of what are called sutras and another 13 'sub-sutras' (what a phrase for a 'Vedic' entity!), each made up of just about two to four words in Sanskrit, such as 'Ekadhikena Purvena' or 'Paravartya Yojayet', etc, and the rest is supposedly applications of these to various mathematical problems. Where did the sutras come from? The only mention of any reference for the sutras appears, in passing, in the Preface where it is said that "...exceedingly tough mathematical problems(...) can be easily and readily solved with the help of these ultra-easy Vedic sutras (or mathematical aphorisms) contained in the parishishta (the appendix portion) of the Atharvaveda in a few simple steps and by methods which can be conscientiously described as mere 'mental arithmetic'." And where is this appendix of the Atharvaveda? The swamiji has not considered it necessary to share with us any details in this regard! K S Shukla, a renowned scholar of ancient Indian mathematics, has mentioned in a paper presented at the National Workshop on Vedic mathematics held in 1988 at the University of Rajasthan, Jaipur, under the auspices of the Rashtriya Veda Vidya Pratishthan (proceedings published in association with Motilal Banarasidass Publishers, 1991), that on one occasion he personally went to the swamiji and requested him to point out the sutras in question in the parishishta of the Atharvaveda, of which he even carried a copy (the standard version edited by G M Bolling and J Von Negelein), but was told by the swamiji that the 16 sutras demonstrated by him were not in those parishishta and that "they occured in his own parishishta and not any other"! What justification swamiji thought he had for introducing an appendix in the Atharvaveda, the contents of which are still to be viewed as from the Veda, is anybody's guess. In any case, even such a parishishta, written by the swamiji does not exist in the form of a Sanskrit text. One wonders if the swamiji just meant the book itself to be the appendix to the Atharvaveda.

The general editor of the swamiji's book, V S Agrawala, has in fact stated in his foreword that "...this work of Shri Shankaracharyaji deserves to be regarded as a new parishishta by itself and it is not surprising that the sutras mentioned herein do not appear in the hitherto known parishishta." He adds later that "A list of these main 16 sutras and of their sub-sutras or corollaries is prefixed in the beginning of the text and the style of language also point to their *discovery by Shri Swamiji himself*" (italics mine). So much for the contents of the book being from the Vedas, from a person responsible for the publication of the book. The general editor nevertheless is content to

say that the question of whether the sutras exist anywhere in the Vedic literature loses all its force if we inform ourselves of the definition of Veda given by Shri Shankaracharya himself and this is followed by a quotation from the swamiji's preface that "The very word 'Veda' has this derivational meaning, i e, the fountainhead and illimitable store house of all knowledge. The derivation, in effect means, connotes and implies that the Vedas should contain within themselves all the knowledge needed by mankind..". This escape route of hiding behind a convenient definition, at variance with the ordinary meaning, is comical and totally inconsistent with the portrayal in the book, typified by the use of such phrases as 'ancient Vedic mathematics' or 'ancient India's Vedic lore', etc, to the same body.

Let us suppose for a moment that the author indeed found the listed sutras in some manuscript of the Atharvaveda, which he came across. Would not he then have preserved the manuscript? Would not he have shown at least to some people where the sutras are in the manuscript? Would not he have revealed to some cherished students how to look for sutras with such profound mathematical implications as he attributes to the sutras in question, in that or other manuscripts that may be found? While there is specific mention in the write-up of Trivedi, in the beginning of the book, about some 16-volume manuscript written by the swamiji having been lost in 1956, there is no mention whatever (leave alone any lamentation that would be due in such an event) either in her write-up or in the swamiji's preface about any original manuscript having been lost. No one certainly has come forward with any information received from the swamiji with regard to the other questions above. It is to be noted that time could not be a factor in any of this, since the swamiji kindly informs us in the preface that "Evershine (i e, since several decades ago), we have been carrying on an incessant and strenuous campaign for the India-wide diffusion of all this scientific knowledge..". The only natural explanation is that there was no such manuscript.

The Book

Let us now consider some of the sutras themselves. One for instance is 'Ekadhikena Purvena' which literally just means "by one more than the previous one". In Chapter I the swamiji tells us that it is a sutra for finding the digits in the decimal expansion of numbers like 1/19, 1/29, etc, where the denominator is a number with 9 in the unit's place; he goes on to give a page-long description of the procedure to be followed, whose only connection with the sutra is that it involves, in particular, repeatedly multiplying by one more than the previous one, viz, 2, 3, etc, respectively, the 'previous one' being the number before the unit's place; the full procedure involves a lot more by way of arranging the digits which can in no way be read off from the phrase. In Chapter II we are told that the same sutra also means that to get the square of a number like 25, 35, etc (with five in unit's place) multiply the number of tens by one more than itself and write 25 ahead of that; like 625, 1225, etc. The phrase 'Ekanyunena Purvena' which means by one less than the previous one is however given to mean something which has neither to do with decimal expansions nor with squaring of numbers but concerns multiplying together two numbers , one of which has 9 in all places (like 99, 999, etc)! Allowing oneself such unlimited freedom of interpretation one can also interpret the same three-word phrase to mean also many other things not only in mathematics but also in many other subjects such as physics, chemistry, biology, economics, sociology, politics and so on.

Consider, for instance, the following 'meaning': the family size may be allowed to grow, at most, by one or more than the previous one. In this, we have the family-planning message of the 1960s; the 'previous one' being the couple, the prescription is that they should have no more than three children. Thus the 'lal trikon' formula may be seen to be 'from the Atharvaveda', thanks to the swamiji's novel technique (with just a bit of credit to the author)! If you think the three-children norm is now outdated, there is no need to despair. One can get the two-children or even the one-child formula also from the same sutra; count only the man as the 'previous one' (the woman is an outsider joining in marriage, is not she?) and in growth of the family count either only the children or include also the wife, depending on what suits the desired formula.

Another sutra is 'Yavadunam' which means as much less ; a lifetime may not suffice for writing down all the things such a phrase could 'mean', in the spirit as above. There is even a sub-sutra 'Vilokanam' (observation) and that is supposed to mean various mathematical steps involving observations. In the same vein one can actually suggest a single sutra by which one could do not only all mathematics but many many subjects: 'Chintanam' (think).

One knows of course that there are cyphers which convey more information than meets the eye. But the meaning in those cases is either arrived at from the knowledge of the encyphering code or deduced in one or other way using various kinds of contextual information. Neither applies in the present case. The sutras in the swamiji's book are in reality mere names for various steps to be followed in various contexts; the steps themselves had to be known independently. In other words, the mathematical step is not arrived at by understanding or interpreting what are given as sutras; rather, sutras somewhat suggestive of the meaning of the steps are attached to them like names. While such associations can be put to various uses, such as in remembering and communicating with others knowledgeable of the terminology the steps in various exercises, one of the main purposes the sutras seem to serve in the present case is to give the contents an antique finish, they being in a language which the popular mind unquestioningly associates with the distant past!

An analysis of the mathematical contents of the book also shows that they cannot be from the Vedas. Though unfortunately there is considerable ignorance about the subject, mathematics from the Vedas is not an unexplored area. Painstaking efforts have been made for well over a century now to study the original ancient texts from the point of view of understanding the extent of mathematical knowledge in those times. For instance, from the study of Vedic 'Samhitas' and 'Brahmanas' it has been noted that they had the system of counting progressing in multiples of ten as we have today and that they considered remarkably large numbers, even up to 14 digits, unlike other civilisations of those times. From the Vedanga period there is in fact available a significant body of mathematical literature in the form of Shalva-sutras, dating between 800 B C and 500 B C, some of which contain expositions of various mathematical principles involved in the construction of sacrificial 'vedis' needed for rituals. These texts show, in particular, a remarkable familiarity with what is currently known as Pythagoras' theorem and many other facts from the so-called Euclidean geometry and it is clear that considerable use was made of these, long before the Greeks formulated them. The work of George Thibaut in the last century and that of A Burk around the turn of the century brought to the attention of the world the significance of the mathematics of the sutras. An authoritative text is available on Shalva-sutras, containing the original sutras, their translation and a detailed commentary which includes a survey of a number of earlier works on the subject, in the form of a monograph prepared by S N Sen and A K Bag under the sponsorship of The National Commission for the Compilation of History of Sciences in India (planned and published by the Indian National Science Academy, 1983). There are

also several books on ancient Indian mathematics dealing in particular with mathematics from the Vedic period.

Claims of Antiquity

The contents of the swamiji's book have practically nothing in common with what is known of the mathematics from the Vedic period or even with the subsequent rich tradition of mathematics in India until the advent of the modern era; incidentally, the ancient mathematical texts are quite explicit in their description of mathematical principles or procedures and do not involve cryptic sutras. The very first chapter of the swamiji's book (as also chapters 26 to 28) involves the notion of decimal fractions in an essential way. If the contents are to be Vedic, there would have had to be a good deal of familiarity with decimal fractions, even involving several digits, at that time. It turns out that while the Shalva-sutras make extensive use of fractions in the usual form, nowhere is there any indication of fractions in decimal form. It is inconceivable that such an important notion would be left out, had it been known, from what are really users' manuals of those times, produced at different times over a prolonged period. Not only the Shalva-sutras and the earlier Vedic works, but even the works of mathematicians for over 2,000 years after them, including that of the stalwarts in the golden age of Indian mathematics such as Aryabhata, Brahmagupta, Bhaskara, etc, are not found to contain any decimal fractions. Is it possible that none of them had access to the Vedic source that the swamiji could lay his hands on (and still not describe it specifically)? The fact is that the use of decimal fractions started only in the 16th century, propagated to a large extent by Francois Viete; the use of the decimal point (separating the integer and the fractional parts) itself, as a notation for the decimal representation, began only towards the end of the century and acquired popularity in the 17th century following their use in John Napier's logarithm tables.

Similarly, in chapter 22 the swamiji proclaims to give "sutras relevant to successive differentiation, covering theorems of Leibnitz, Maclaurin, Taylor, etc, and a lot of other material which is yet to be studied and decided on by the great mathematicians of the present day western world"; it should perhaps be mentioned before we proceed that the chapter does not really deal with anything of the sort that would even remotely justify such grandiloquent announcement, but rather deals with derivation as on operation on polynomials, which is a very special case reducing to elementary algebra, devoid of the very soul of calculus, as taught even at college level. Given the context, we shall leave Leibnitz and company alone, but consider the notions of derivative and successive differentiation. Did the notions exist in the Vedic times? While certain elements preliminary to calculus have been found in the works of Bhaskara II from the 12th century and later Indian mathematicians in the pre-calculus era in international mathematics, such crystallised notions as the derivative or the integral were not known. Though a case may be made that the developments here would have led to discovery of calculus in India, no historian of Indian mathematics would dream of proposing that they actually considered something like the derivative, leave alone successive differentiation; the question here is not about performing the operation of derivation on polynomials, but of the concept. A similar comment applies with regard to integration, in chapter 24. It should also be borne in mind that if calculus were to be known in India in the early times, it would have been acquired by foreigners as well, long before it actually came to be discovered, as there was enough interaction between India and the outside world.

If this is not enough, in chapter 39 we learn that "analytic conics have an important and predominating place for itself in the Vedic system of mathematics" and in chapter 40 we find a whole list of subjects such as dynamics, statics, hydrostatics, pneumatics, applied mathematics, etc, listed alongside such elementary things as subtractions, ratios, proportions and such money matters as interest and annuities(!), discounts(!) to which we are assured, without details, that the Vedic sutras can be applied. Need we comment any further on this?

The remaining chapters are mostly elementary in content on account of which one does not see such marked incongruities. It has however been pointed out by Shukla in his paper mentioned earlier that many of the topics considered in the book are alien to the pursuits of ancient Indian mathematicians, not only from the Vedic period but untill much later. These include many such things as factorisation of algebraic expressions, HCF of algebraic expressions, various types of simultaneous equations, etc. The contents of the book are akin to much later mathematics, mostly of the kind that appeared in school-books of our times or that of the swamiji's youth, and it is unthinkable, in the absence of any pressing evidence, of their being from Vedic lore.

Absurd Assertions

Apart from claims of antiquity the swamiji's book is full of such extraordinary assertions as "there is no part of mathematics, pure or applied, which is beyond their jurisdiction" or "... 8 months (or 12 months) at an average rate of 2 or 3 hours per day should suffice for completing the whole course of mathematical studies on these Vedic lines instead of 15 or 20 years required according to the existing systems of the Indian and also foreign universities". The present-day champions of 'Vedic mathematics' seem to soft-pedal such claims, for reasons not far to seek and it would be rather pointless to argue against them at this stage. It is, however, important to see the absurdity of such assertions since, when the book is viewed in totality, they point to the flawed motivation of the endeavour, patently contrary to a sense of objectivity that is vital in the pursuit of knowledge. Mathematics means a lot more things than arithmetic of numbers and algebra of polynomials; in fact multiplying big numbers together, which a lot of people take for mathematics, is hardly something that a mathematician of today needs to engage himself in. The mathematics of today concerns a great variety of objects beyond the high-school level involving various kinds of abstract objects generalising numbers, shapes, geometries, measures, etc, and several combinations of such structures, various kinds of operations, often involving infinitely many entities; this is not the case only about the frontiers of mathematics but a whole lot of it including many things applied in physics, engineering, medicine and various other subjects.

Despite all its pretentious verbiage page after page the swamiji's book offers nothing worthwhile in advanced mathematics whether concretely or by way of insight. The book really deals with only a small segment of middle and high-school level mathematics; this is true despite what appears to be chapters dealing with some notions in calculus and coordinate geometry and the mention of a few more advanced topics, in the book. Modern mathematics with its multitude of disciplines (topology, differential geometry, functional analysis, ergodic theory to name just a few) would be a big leap from that stage. There are occasionally reports of some 'researchers' applying the swamiji's 'Vedic mathematics' to advanced problems such as Kepler's problem but such work involves nothing more than tinkering superficially with the topic, in the manner of the swamiji's treatment of calculus, and offers nothing of interest to professionals in the area.

When the superimposed 'Vedic' garb is taken off, the material in the swamiji's book looks like a compilation of tricks in elementary arithmetic and algebra, discovered by some intelligent hobbyists. What it contains are ways of working out some classes of computations; in certain

special cases these ways turn out to be faster than the standard school-book methods. They are, however, based on well-understood principles and there is no mystery about them. It should be remembered that the author has an M A degree and it is not too surprising if he could use such principles with effect; it is also to be noted that he is supposed to have spent "eight years of concentrated contemplation in forest solitude" in "recovering the long lost keys". There have also been other instances of exposition and propagation of such faster methods applicable in special situations (without claims of their coming from ancient sources). The *Trachtenberg Speed System of Basic Mathematics* (English edition by Ann Arther and Rudolph Mcshane, published by Asia Publishing House, New Delhi, 1965) and Lester Meyers' book *High-Speed Mathematics* (Van Nostrand, New York, 1947) are some well known instances of this. Trachtenberg had even established an institute in Germany to provide training in high-speed mathematics. While the swamiji's methods are independent of these, for the most part they are similar in spirit.

It is worth considering why such methods are not commonly used for practical purposes. One main point is that they turn out to be quicker only for certain special classes of examples. For a general example the number of digital calculations involved (the count of the individual operations needed to be performed with digits, in arriving at the final answer) is about the same as required by the standard methods; in the swamiji's book this is often concealed by not writing some of the steps involved, viewing it as 'mental arithmetic'. Using such methods of fast arithmetic involves the ability or practice to recognise various patterns which would simplify the calculation. Without that, one would actually have to spend more time, in first tyring to recognise patterns and then doing it by rote anyway, since in most cases it is not easy to find useful patterns. Shopkeepers and professionals who have to do their computations as they arise, rather than choose the figures suitably as in the demonstrations, would hardly find it convenient to carry them out by employing umpteen different ways depending on the particular cases, as the methods of fast arithmetic involve. It is more convenient to follow the standard method in which one has to follow a set procedure to find the answer, even though in some cases this might take more time. Besides, equipment such as the calculators and computers have made it unnecessary to tax our minds with arithmetical computations. Incidentally, the suggestion that this 'Vedic mathematics' of the Shankaracharya could lead to improvement in computers is totally fallacious, since the underlying mathematical principles involved in it were by no means unfamiliar in professional circles.

The swamiji tells us in the preface how "the educationists, the cream of the English-educated section of the people including highest officials (e g, high-court judges, ministers, etc,) and the general public as such were all highly impressed; nay thrilled, wonder-struck and flabbergasted!" at his demonstrations of the 'Vedic mathematics'. Sometimes one comes across reports about similar thrilling demonstrations by some of the present-day expositors of the subject. Though inevitably they have to be taken with a pinch of salt, I do not entirely doubt the truth of such reports. Since most people have had a difficult time with their arithmetic at school and even those who might have been fairly good would have lost touch, the very fact of someone doing some computations rather quickly can make an impressive sight. This effect can be enhanced for well-chosen examples, where some quicker methods are applicable. Even in the case of general examples where the method employed is not really more efficient than the standard one, the computations might appear to be fast, since the demonstrator would have a lot more practice than the people in the audience. An objective assessment of the methods from the point of view of overall use, can only be made by comparing how many digital calculations are involved in working out various examples, on an average, and in this respect the methods of fast arithmetic do not show any marked advantage which would offset the inconvenience indicated earlier.

The various observations in the book can, however, be put to some use in teaching in schools. Firstly, they have an evident recreational value. They may be used suitably to enable children to enjoy mathematics. It would be more appropriate to do so by highlighting along the way the underlying principles, rather than use them as a series of tricks. Ultimately, it is the understanding that is more important than the transient excitement that may be derived (and channelled for wrong purposes). Perhaps it needs to be emphasised, however, that this pedagogical use also has a limited scope and it is important not to be carried away by the motivated propaganda in this regard. It may be mentioned that some well known mathematicians such as P L Bhatnagar have made some pertinent observations on the possibilities and scope of such uses.

It is shocking to see how much people driven by misguided notions are able to exploit the Indian society's urge for self-assertion. One could hardly have imagined that a book which is transparently not from any ancient source or of any great mathematical significance would one day be passed off as a storehouse of some ancient mathematical treasure. It is high time the saner elements joined hands to educate people on the truth of this so-called Vedic mathematics and prevent the use of public money and energy on its propagation, beyond the limited extent that may be deserved, lest the intellectual and educational life in the country get vitiated further and result in wrong attitudes to both history and mathematics, especially in the coming generation of children.

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Managerial Pilgrimage to Indian Ethos

N R Sheth

Managerial Transformation by Values: A Corporate Pilgrimage by S K Chakraborty; Sage Publications, New Delhi 1993; pp 215, Rs 195.

S K CHAKRABORTY is a distinguished management scholar, teacher and consultant. He is also a citizen on a clear-headed social mission. His mission is to establish the supremacy of ancient Indian psychology and philosophy as means for transformation of managerial behaviour and attitudes in order to resolve the rapidly growing pressure of personal and social conflicts afflicting the performance and peace of people responsible for the performance of their enterprises. The author's learning, wisdom and exposure to the realities of Indian corporate and executive performance for over two decades have deeply anguished him about the increasingly evil effects of consumerism, greed, corruption and rat-race for personal power and control on the mindsets of managers and consequently on their executive effectiveness. These are symptoms of a "degenerate consciousness" which needs urgent transformation. Chakraborty is well acquainted with the wide spectrum of philosophies, approaches, methods and techniques developed in the western society and countries like Japan to deal with the human problems of industrial civilisation. He is convinced that the rationalistic-liberalistic value system of the west would not provide a durable means for the transformation of managerial values in the Indian context. He is impressed by the recent history of Japanese management philosophy and practice which have combined western technology and indigenous values with positive effects on both corporate performance and managerial happiness. In this background, Chakraborty has developed a firm belief that the degenerate consciousness of the Indian manager can be transformed in the right direction only by promoting the acceptance of the Indian spiritual ethos. The mission built on this prognosis has resulted in half a dozen books aimed at integration of managerial effectiveness and Indian values.

The book under review is the latest addition to the author's remarkable labour of love. It is, however, unique in the sense that it contains documentation of Chakraborty's involvement in a process of managerial transformation in a single organisation, the Bombay-based Godrej and Boyce (GBL). The Godrej lineage, promoters of GBL, hold a high reputation for their humanistic and philanthropic values and management style. As the company moved towards its century in 1977, it found itself increasingly under pressure of market forces and careerist managers from professional schools with self-centred behavioural traits as against the traditional Godrej ethos of humanistic service. Hence the promoters wanted to reinforce the value of the old culture as a part of their overall strategy of responding to the changes in their business environment. They decided to launch a management development effort in human values in tandem with their acceptance of the new approach of total quality management (TQM) in the context of integrated resource management. Meanwhile, they learnt about Chakraborty's mission and work and invited his help in their plans for education in human values. For the 'missionary', this was a godsend opportunity to undertake a holistic exercise in managerial transformation by values in an enterprise. The professional-intellectual aspect of his involvement was passionately dominated by the sacred spirit which gave the mission and the book under review the purifying sub-title "corporate pilgrimage".

The Ingredients

The pilgrimage was intended to provide the subjective aspect of TQM. It would help the company managers to develop a quality of mind to raise both their effectiveness at work and happiness in life. The programme began with a three-day workshop in early 1990 for top managers followed by three separate modules at quarterly intervals for top and senior managers and one compact four-day module for junior managers. Participation of executives in this programme was invited on a voluntary basis at the senior levels and by nomination by bosses for the junior categories. By the end of 1991 each departmental head "had aligned around himself a fairly large number of juniors who were imparted the transformation-by-values principles and processes". Two separate workshops were also held for office-bearers of the workers' union and those of the staff association. The company had further planned to identify some executives who would take special interest in the consultant's mission to serve as catalysts to sustain the process of transformation of the quality of mind in GBL on an ongoing basis.

The main ingredients of the programme in the first module included a serene physical environment, mind-stilling exercises, the superiority of the higher 'self' over the ubiquitous egoistic self and exposure to the Indian value concepts of *guna, karma* and *samskara*. The second module focused on leadership and teamwork with special emphasis on the interpersonal values of love, self-restraint, respect for others, compassion, etc. The third module was devoted to management of stress, counselling and communication with the aid of Upanishadic and later spiritual models of achieving work efficiency without mental stress and building a helping relationship with colleagues. Between modules, the participants were asked to hold fortnightly meetings with a leader appointed for each meeting by rotation.

The company's Human Response Development (HRD) department invited written feedback from senior managers at the end of the second module of the programme. The feedback is almost euphorically positive about the importance of Indian values in transforming the quality of life in personal behaviour and organisational roles. Minor doubts and questions raised by a few executives were regarding the commitment to human values at the top management level and the perceived gap between practice and precept.

The group leaders who conducted fortnightly meetings between modules were expected to share their experiences with the consultant and seek his guidance by mail. Thirty-three sets of exchange of letters between Chakraborty and the group leaders have been reproduced in a separate chapter. This correspondence reflects what the author calls the process of institutionalisation of the chosen values in GBL management. For the most part, the letters state how happy and enriched the participants in group meetings felt by practice of mind-stilling exercises and discourses on the Indian values as en-

enshrined in the author's previous writings. A few executives were sceptical about whether their acceptance of the right values would yield results in the long run in view of the pervasive debasement of human character in the wider environment.

Further feedback was sought by the consultant from the executives when he met them for the second and third modules. The responses obtained from participants indicated high progress in the form of change of behaviour in the right direction. Between the second and third modules, the already high rate of transformation moved up further. The only variable which recorded decline in progress was 'team leader support' which meant that the internal leaders for group meetings could not provide the catalyst role as effectively as they were expected to. Thirty per cent of the participants in the second module withdrew from the third.

Assessment

The company and the consultant planned a comprehensive assessment of the transformation-by-values programme at the end of third module. An independent researcher was hired for this purpose to avoid the risk of distortions underlying internal assessment. Seventy-three executives were interviewed on their learning experiences in the programme. Typically, those who found the programme less relevant or were more sceptical about its practical use were in the 31-40 age group, had formal education in technology with management, were in the middle-management category and came from families with inclination towards Indian values (as against those who came from westernised families). The westernised group found the programme largely relevant but not very useful, while the value-based group found it more useful but less relevant.

The quantitative analysis of the independent evaluation of the programme is supplemented by a qualitative analysis which consists of extracts from the in-depth interviews with 35 executives and 60 office-bearers of the workers' union and staff association. Once again, these narrations bring out a predominantly positive and euphoric feedback on the various facets of the programme leading to an overall impression of well-rooted institutionalisation of the Indian values in GBL. A few respondents expressed scepticism or cynicism about the practical long-term usefulness of the transformation programme because of its perceived incompatibility with the internal or external environment of GBL.

Finally, in June 1992, the company's HRD department circulated a questionnaire to over 600 persons who had participated in the programme over a period of more than two years. The purpose of this study was to obtain a picture of the participants' orientation towards the programme. The feedback was overwhelmingly in favour of the programme, suggesting remarkable success of the pilgrim's mission. The vast majority expressed faith in the ideals of the programme, though it stimulated them to transform their own values and wanted it to be an ongoing process. The only modestly discordant note was struck by the fact that a relatively smaller proportion of managers noticed improvement in the quality of interface among peers and subordinates and superiors.

As I mentally travelled with Chakraborty on his sacred mission to transform the values of GBL managers, I understood his mounting sense of pleasure and satisfaction with the involvement and positive feedback from managers at various stages of the transformation effort. With his characteristic wisdom, the author has blended the zeal of the missionary with the spirit of scientific inquiry. Continual feedback on the progress of the mission was sought from the corporate pilgrims. A lot of concern was shown about the need for objectivity of the feedback which was also subjected to a good measure of statistical probing for inter-item and periodical variations. The missionary was also aware of the difficulties in translation of the various values sought to be imparted to the corporate pilgrims. "A very high degree of sincerity and tenacity, supported by a deep aspiration for the higher and nobler, are essential. No one from outside can trigger them—except by offering some glimpses or flashes. One needs to essentially awaken from within, with external inspiration playing only a catalytic role" (p 61).

'Samskara' Syndrome

This indeed is the crux of the problem of transformation of (or by) values. Any mission for such transformation is predominantly conditioned by the innate tendencies and desires (*samskaras*) of the pilgrims. In the present case, an important factor contributing to the reported success of the mission was the congenial corporate *samskara* represented by the cherished values of the founding family whose members occupied the status and esteem of owner-managers. They provided a well-worshipped *samskara* model to all managers and workers. This model probably provided plenty of fertile ground to yield a high degree of success to the mission as documented in the book.

The documentation is, however, punctuated by evidence of unwelcome results. There was a continuing concern about the value of transformation in one enterprise in the midst of visible rapid degeneration of human character. Some people also wondered if the transformation process could be sustained all over the organisation over a long period of time. There was some awareness that the hope of achieving high quality of management by transformation of values was utopian. There were signs to suggest that while Chakraborty's image and credentials inspired most participants in the programme to be positively inclined to the transformation effort, their enthusiasm slowed down considerably during follow-up exercises in his absence. Also, fewer people volunteered for the third module in comparison with the second. Not many managers felt enthused to continue the mind-stilling exercises. Not many could recall the main concepts of the Indian value system in a year's time. Of course, such evidence does not disappoint the missionary. He is confident that the inculcation of the new values received by the pilgrims would act upon their behavioural and attitudinal structure and produce good results in time. A missionary's march to his utopia is characteristically ennobled by euphoria. GBL managers need a lot of psychological and social fortitude to sustain the missionary's spirit of pilgrimage within the psychedelic contours of the degenerate world around them.

What can people and organisations which do not possess the *samskara* syndrome of GBL learn from its pilgrimage? Obviously, if they were inclined to try the GBL pattern of transformation by values, they would face an uphill task of greater magnitude than GBL. Perhaps the irony of managerial transformation by value is that it is relatively more intractable during the process of implementation and more dubious in its outcome in those organisations which are relatively more muddied by degeneration of values and hence more in need of transformation. We need many Chakrabortys to face this challenge in the spirit of *nishkama karma*. Their missions should be both guided by high idealism and fully grounded in its execution. They should take disappointments and failures in their stride and march on. For degeneration of values and attempts to transform them have been an integral part of human society since its infancy. They will continue in the same fashion as long as you and I can foresee.

Islam and Women's Rights

Shabana Makani

Women and Islam: A Historical and Theological Enquiry by Fatima Mernissi translated by Mary Jo Lakeland; Kali Publications, New Delhi, 1993; pp 228, Rs 225.

FATIMA MERNISSI, a professor of sociology at the University of Rabat, Morocco is a strong campaigner for a re-interpretation of the Islamic texts *vis-a-vis* the status of women. In this book she examines and reassesses literary sources like the *Koran*, the *Tafsir* of Tabari (a commentary of the Koran), the *Hadith* of al-Bukhari and al-Nasai, biographies of the Prophet and of the Companions, treatises on the causes of revelations, namely, *Asbab al nuzul* by al-Nisaburi and *Lubab al nuqul fi asbab al-nuzul* by al-Suyuti, treatises on the Koranic verses like the *nasikh* and the *mansukh* by scholars like Qatada Ibn Di'ama al-Sadusi, Ibn Hazm, Ibn al Jawzi, Ibn al-Barizi. The treatises are concise summaries of dozens of volumes of commentary and are usually in just one volume. The value of the sources used here cannot be underestimated and Muslim intelligentsia will not question the validity and urgency of the principal step urged by Fatima Mernissi, namely, the re-opening of the door of free interpretation. Indeed, this door should never have been deemed closed. Human society is dynamic; the need of guidance both by formulation of principles and by regulation of conduct, is constant. To declare the door of interpretation sealed is to force a rift between the ever-growing need for change and the state guidance which must, in time, widen into a gulf too broad to be bridged. The result would be frustration.

In the first half of the book entitled 'Sacred Text as Political Weapon' the need for such reinterpretation comes across strongly. In the four chapters 'The Muslim and Time', 'The Prophet and Hadith', 'A Tradition of Misogyny' (in two parts) the author defines a Muslim as belonging to a theocratic state. "What the individual thinks is secondary for this definition... Being Muslim is a civil matter, a national identity, a passport, a family code of laws, a code of public rights" (pp 20-21). The author highlights the almost indissoluble entwinement of religious ideas and political considerations in the examples of al-Bukhari and al-Afghani. The hadith "those who entrust their affairs to a woman will never know prosperity" is stated in al-Asqalani's 13th volume and is based on al-Bukhari's Sahih. This hadith is a sledgehammer in the hands of those who want to exclude women from politics. She wonders how the three concepts normally considered independent of each other, the relationship to time, the relationship to power and the relationship to femaleness, become connected as a discourse on identity. And above all how the identity crisis present in both men and women becomes transformed by authors (like al-Afghani) obsessed with the past into a uniquely male problem? Answers to these questions might facilitate the understanding of those feelings which impel al-Afghani and other scholars to take up their pens and write books about the necessity of excluding women from politics (p 21). A fairly recent example of the denial of political rights to women in the name of scriptural injunctions is that of Benazir Bhutto. It may be recalled that a section of the clergy mounted a campaign against her when she led her party, Pakistan People's Party, in the struggle against Zia ul-Haq's military regime.

The author explains in great detail the painstaking manner in which the hadith were collected and compiled (pp 42-45). But of special interest is A'isha's refutation of some hadiths. One can read among al-Bukhari's 'authentic' hadith the following one: "Three things bring bad luck: house, woman, and horse." Al-Bukhari did not include other versions of this hadith, although the rule was to give one or more contradictory versions in order to show the readers conflicting points of view and thus to permit them to decide for themselves about practices that were the subject of dispute. However, there is no trace in al-Bukhari of A'isha's refutation of this hadith: "They told Aisha that Abu Hurayra was asserting that the Messenger of God said: 'Three things bring bad luck! house, woman and horse.' A'isha responded: "Abu Hurayra learned his lessons very badly. He came into our house when the Prophet was in the middle of a sentence. He only heard the end of it. What the Prophet said was: 'May Allah refute the Jews; they say three things bring bad luck: house, woman and horse'" (pp 75-76). A number of such examples have been cited in the first part and hence it is axiomatic that free interpretation must keep pace with changes in the pattern of human life and thought.

With the widening intellectual horizon, coinciding with territorial expansion and, at least partially, caused by it, the problems to be coped with cover an ever-widening range. They touch every aspect of the Islamic way of life that is, the minutiae of its ritual, its religious secular and social practices. In the course of development, hadith assumed a function far beyond the scope of its earlier stage. Instead of being merely the repository of past usages and traditions as a guide to correct behaviour, it became the instrument for introducing or repudiating innovations. Theological, philosophic, religious, legal and social disputes were fought by way of hadith. It thus became a weapon in the hands of proponents and adversaries. But the unbiased study of the history of religion shows that both the Koran and the hadith call upon its followers to move with the times—indeed these who assert that women in Muslim states cannot be granted full enjoyment of human rights are simply betting on our ignorance of the past, for their argument can never convince anyone with an elementary understanding of Islam's history. The author, therefore, surmises "we Muslim women can walk into the modern world with pride, knowing that the quest for dignity, democracy, and human rights, for full participation in the political and social affairs of our country, stems from no imported western values, but is a true part of the Muslim tradition" (preface p viii).

The second part of the book entitled Medina in Revolution: The Three Fateful Years consists of six chapters, namely, the Hijab, the Veil, the Prophet and Space, the Prophet and Women, Umar and the Men of Medina, the Prophet as Military Leader, the Hijab Descends on Medina. Chapter V provides an insight as to how the hijab, the veil was introduced. The fuqaha (religious scholars) speak of "the descent of the hijab". This expression covers two simultaneous events that take place in completely different realms: on the one hand, god's revelation to the prophet, which is in the intellectual realm; and on the other hand, the descent of a cloth 'hijab', a material object, a curtain that the prophet draws between himself and the man (Anas Ibn Malik) who was at the entrance of his nuptial chamber. (p 85). Ample historical evidence portrays women in the prophet's Medina raising their heads against slavery and violence to join as equal participants, in the making of their Arab history (instances cited in the chapter VII pp 125-40). The same chapter contains a very interesting resume on the wives of the prophet (pp 115-25). Specially pertinent is the question of Umm Salama. "Why", she asked the prophet one day, "are men mentioned in the Koran and why are we not?" After divine revelation the prophet said:

"O people! Allah has said in his book 'Men who surrender unto Allah, and women who surrender, and men who believe and women who believe... Allah hath prepared for them forgiveness and a vast reward" (p 118). This is a clear proof that Allah speaks of the two sexes in terms of total equality as believers and it is not sex that determines who earns his grace, it is faith and the desire to serve and obey him. Umm Salama's concern was shared by the women of Medina. Sura 4 entitled 'An-Nisa' (Women) contains the new laws regarding their status.

Chapter 10 'The Hijab Descends on Medina' analyses the reasons for purdah. Women, whatever their status, were being harassed and accosted in the streets. Women were, therefore, enjoined by the prophet to behave modestly and not to flaunt their beauty. In particular, Muhammad's wives were reminded of their status as 'Mothers of the Believers' and required to talk to strange men from behind a 'hijab'. In the Koran this term is used for a 'partition' dividing the house. In the course of post-Koranic development, partly as protection in war disturbed areas the hijab was generally accepted and segreagation and veiling acquired the character of binding laws; gradually they were interpreted as demanding complete severance of women's activities from those of men.

The author categorically mentions, "When I finished writing this book I had come to understand one thing: if women's rights are a problem for some modern Muslim men it is neither because of the Koran nor the prophet, nor the Islamic tradition, but simply because those rights conflict with the interests of a male elite. This elite faction is trying to convince us that their egotistic, highly subjective and mediocre view of culture and society has a sacred basis...Islam was not sent from heaven to foster egotism and mediocrity. It came to sustain the people of the Arabian desert lands, to encourage them to achieve higher spiritual goals and equality for all..." (Preface p ix).

For a reinterpretation of the Islamic texts *vis-a-vis* the position of women the author analyses the sociological, economic and cultural-anthropological trends. She has painstakingly researched into the primary sources for the necessary clarifications concerning the issue at hand and discusses debatable and polemical problems without bias in favour or against them. She has a penetrating comprehension of the well-springs of Islamic culture and is not writing as an apologist for, but as an impartial student of Islam, nor is she currying favour with any side but only aspires to honesty in her interpretations. She may not always please theologians and 'fuqaha' but her understanding of the problems of Muslim women compel her to state the truth according to her best judgment and ability. Due credit must also be given to Mary Jo Lakeland for her excellent translation. The language is neither laboured nor pedantic but lucid and precise. The book is a must for all interested in the position of women in Islam and will serve to clarify several misconceptions. It will be a handy source material for research scholars by virtue of its data, free interpretation and methodical presentation.

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Communal Representation in Tamil Nadu, 1850-1916

The Pre-Non-Brahmin Movement Phase

P Radhakrishnan

Though communal representation and reservations are often identified with the non-brahmin movement and the Indian Constitution respectively, the evolution of the non-brahmin movement itself was preceded by certain intricate and elaborate processes of over half a century. These processes had a direct bearing on communal representation and reservations at the ideational and pragmatic levels as functional imperatives of the colonial administration.

Central to the discourse on communal representation and reservation of this period, the related administrative process and the non-brahmin response to these were the statistics collected from time to time. These made the non-brahmins and the British officials increasingly aware of the structural cleavages in south Indian society of brahmins versus *non-brahmins, Hindus* versus *Muslims, and so on. Such awareness in turn sharpened these cleavages, pitted the non-brahmins against the brahmins and gradually paved the way for the non-brahmin movement.*

DESPITE its pejorative overtones as communal counterpoise, communal appeasement, minorityism, and so on [Krishna 1939; Page 1982], communal representation in India is often identified with the non-brahmin movement, and its reformulation reservations with the Indian Constitution. But, analogous to the growth of the backward classes [Radhakrishnan 1989; 1990], these had begun to evolve from at least the mid-19th century.[1]

In fact, communal representation and reservations were integral even to pre-British Indian society in the sense of the numerous social closures operated by the caste system.[2] However, the context of this paper is not these indigenous incarnations, but the categories introduced by the British.

No doubt, to begin with these categories were a continuation of the pre-British ones. That was only in keeping with the British endeavour to create an overarching administrative machinery reflecting the established structure of the country [cf Page 1982: 7], and its related concern for incorporating into its colonial framework, the traditionally well-entrenched, and from its viewpoint, the strategically placed, social groups, as its compradors [cf Irschick 1986: 6]. That explains the following directive of the Committee of Public Instruction, Madras, to the district officers, soon after its appointment in March 1826:

> [T]he Committee wish it invariably to be kept in mind, that no measures can be pursued whatever other advantages they may offer, which are at variance with the customs and prejudices of the people Such obstacles must be carefully avoided. Every measure must, as much as possible be divested of the odium of innovation; and be such as to induce the people to go along with the government in the undertaking (Public, Sundries, Vol 145).

That also explains this committee's educational efforts through the 'principal' or 'respectably connected' inhabitants, that is, brahmins and other high castes *'brahminnis proximi'*; and preference for brahmin teachers in the schools established since 1826. The British emphasis of about half a century thence on the education of this 'influential class' should also be seen in this light [see Government of Maharashtra 1982: 403-4].

In fact, the British attempts to go along with this class long preceded its educational efforts. As early as in 1814 the Court of Directors had ordered exclusion of Indian Christians, then mostly of the 'untouchable' castes, from certain offices such as of 'munsiff', 'vakil', and law officer in Bengal presidency, and also of 'sudder ameen' (civil judge), and Cavalry in Madras presidency (see Public Despatches from England to Fort William, No 8, February 2, 1831).

In 1831 the Court of Directors did convey the inexpediency of such exclusion and their belated realisation that the British religious neutrality in India did not require placing by law converts to Christianity in a less advantageous situation than others. In 1846, in response to a request from the sheriff of Madras for sanction to select peons from among the pariahs to be employed in the grand gaol indiscriminately with those of other castes, the BOR reaffirmed this principle:

> The sheriff is informed that upon the principle laid down in the Honourable Court's dispatch number eight of 2nd February 1831, the government do not recognise caste, or any religious distinction as a ground of civil disability and all classes or castes are therefore *alike eligible* to offices for which the Head of an office may consider them qualified, and their employment advantageous to the public interests (BRP, April 21, 1845, and April 23, 1846).

But, it was one thing to reaffirm a principle and quite another to redeem it. And therein was the British dilemma. One instance of this dilemma was the inability of the Board for College and Public Instruction, Madras, established in December 1826, to decide on an application it received in 1833 from a pariah boy:

> The Board... have not felt it right to decide of themselves whether a person of this class shall be admitted as a scholar, in consequence of the strong repugnance evinced by the native headmasters to give instruction to Pariahs, and the knowledge that Hindoos of caste would consider their prejudices, interfered with, were Pariahs taught in the same classes, with themselves... (Public Consultations, vol 618, January 24, 1834)

The Madras government whom the board approached sought the views of the Bombay and Bengal governments. The result of this correspondence could not be traced.[3] But, the fate of the pariah boy could not have been any different from that of a mahar boy who sought admission to a Dharwar school in 1856. Rejecting his petition, despite the May 1854 order of the Court of Directors that "no

college or school merely on the ground of caste" (GO 329 Home (Education), March 17, 1919), the Bombay government wrote:[4]

> There can be no doubt that the mahar petitioner has abstract justice in his side; and government trust that the prejudices which at present prevent him from availing himself of existing means of education in Dharwar may be ere long removed... But government are obliged to keep in mind that to interfere with the prejudices of ages in a summary manner, for the sake of one or few individuals, would probably do a great damage to the cause of education. The disadvantage under which the petitioner labours is not one which has originated with this government, and it is one which government cannot summarily remove by interfering in his favour, as he begs them to do [Government of Maharashtra 1982: 339-40].

Underlying the contradiction thus evident between the professed neutrality principle and its practice were the British perceptions of the caste-based structures of power and privilege, and its related patronage politics. It is with these perceptions and practices in Madras presidency and their effect on south Indian society that this paper is concerned in the context of the British curbs and counterpoises against brahmins, and concessions for and conciliation of Muslims, and the efforts of other non-brahmin groups to take advantage of these manoeuvres.

I

Brahmins and British Administration

It is now a well established fact that as the 'ritualistic supermen' and literati, combining in them both sacral and temporal powers, brahmins had dominated pre-British Indian society. Dubois, a French missionary who spent about 30 years in India mostly in the Tamil regions, since a couple of years before the fuscillades of the French revolution, had remarked in the early 1800s that "the rule of all the Hindu princes, and often that of the Mahomedans, was, properly speaking, brahminical rule, since all posts of confidence were held by brahmins" [Dubois 1982: 4-5, 289-90].

With their scribal background brahmins were the first to realise that under the colonial dispensation English education was the key to government employment and literate professions. Therefore, through their eager acquisition of such education, as Dubois observed, they perpetuated their predominance under the British rule as well.

> enough to work their way into favour with the great European Power that now governs India. They occupy the highest and most lucrative posts in different administrative boards and government offices, as well as in the judicial courts of the various districts. In fact there is no branch of public administration in which they have not made themselves indispensable [Dubois 1982: 290-91].

This predominance is more clearly brought out by Suntharalingam:

> As the European collector was often overwhelmed with multifarious duties, it was the 'sheristadar' who attended to the onerous details of revenue collection and accounts, settling the annual assessment and authorising remissions. In the eyes of the rural community, the sheristadar was the 'real administrator' who controlled the sole channel of access to the collector'... As the chief executive officer of the taluk containing a few hundred villages, the tahsildar discharged revenue, judicial, and police duties under the supervision of the... collector [Suntharalingam 1980:18].

To begin with, the key positions were held by Mahratta brahmins,[5] a miniscule group.[6] By the mid-19th century they along with the other, especially Tamil, brahmins, controlled the entire district administration:[7] In the whole of Madras presidency brahmins accounted for about 90 per cent of all the 'huzur' (chief) sheristadars, 87 per cent of all the 'naib' (deputy) sheristadars, 75 per cent of all the tahsildars, and 78 per cent of all these positions taken together (Table 1).[8]

However, by this time the government itself realised the danger of its exclusive reliance on brahmins [cf Irschick 1986: 6], and began to check their monopoly in public service and weaken their family connections, a vital link to such monopoly and their established lines of patronage.

Curbs on Employment

The first attempt in this direction was in the 1850s. The revenue establishment in Nellore district was then controlled by as many as 50 brahmins, all from the same family, and the collector could transfer only two of the 49 relations of naib after the BOR's order. On ascertaining this the governor wrote in 1853:

> Whatever may be the aptitude of the members of this family for the public service, and whatever may be the family differences, or disputes between themselves, it is evident that the Head of the office—the European officer—must be almost powerless to detect and punish fraud or wrong on the part of the members of this family, and, as a necessary consequence, he will be powerless to protect the people against the extortions or oppressions of the family (BRP, December 1, 1853; March 9, 1854).

The governor felt that people would not bring forward complaints, and seek protection against wrongs done by members of this family while they see them occupying so many important posts and all the younger members introduced into office gradually rising to higher posts. So, he desired the BOR to take immediate steps for effectively abating and remedying the evil by transferring Vencataramaniah, and other brahmins, and debarring the collector from advancing, without the BOR's permission, the junior members of the same family beyond their existing grade unless by transfer to other districts. The governor also wanted the BOR to examine the statements of relationship among public servants in other districts, and adopt similar action should one or two families were found engrossing the greater portion of the appointments. The result was a Standing Order of the BOR (BSO):

> Collectors should be careful to see that the subordinate appointments in their districts are not monopolised by the members of a few influential families. Endeavour should always be made to divide the principal appointments in each district among the several castes. A proportion of the tahsildars in each district should belong to castes other than the brahman, and it should be a standing rule that the two chief revenue servants in the collector's office should be of different castes.

In the following years the BOR reminded the collectors of this order which they also tried to enforce. Thus, in 1866-67 the Tinnevelly collector reported that in that district the 'influences for evil' of the

Table 1: Composition of District Administration, 1855

Caste/Community	Huzur Sheristadar		Naib Sheristadar		Tahsildar		Total	
	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent
Mahratta brahmins	17	81.0	20	52.6	117	47.6	154	50.5
Other brahmins	2	9.5	13	34.2	68	27.6	83	27.2
Non-brahmins	2	9.5	3	7.9	45	18.3	50	16.4
Muslims	—	—	—	—	13	5.3	13	4.3
Indian Christians	—	—	2	5.3	3	1.2	5	1.6
Total	21	100.0	38	100.0	246	100.0	305	100.0

Source: Tabulated from Suntharalingam 1980: 18.

native officials had grown far beyond his power to grapple with. The BOR ordered the surrounding collectors to assist him by arranging for transfers, in this case, of the Pillais, a non-brahmin upper caste, with whom every office in the district was "crowded" (BRP 607, March 12, 1886).

Shortly thence, W R Cornish, census superintendent of Madras, reported that the "brahmanical element" was strong in all higher offices in the civil departments open to Indians, that in every department there were representatives of this "great class" [Government of Madras 1874: 134], and that the brahmins' contempt for the lower classes was in itself a serious bar to their usefulness in official life:

> If the brahmans really represented the feelings of their countrymen, and had any sympathy with, or desire for, the moral and material improvement of the people, outside their own small section of the community, no great harm would arise from their employment in the service of the state; but it is sufficiently notorious that, as a class, the brahmans care mostly for their own advancement, and that they have no desire to see the lower classes educated or improved in social position.

Cornish counselled the government that politically it was not to its advantage to view every question connected with the progress of the country through "brahman spectacles", and that its true policy would be to limit their numbers in official positions and encourage a larger proportion of non-brahmin Hindus and Muslims so as to allow no special pre-eminence or great preponderance of any particular caste.

In 1886 the BOR itself described its efforts to enforce the BSO as necessarily fitful, constantly neutralised, at the best but partial, and always subject to the persistent counteracting process of officials struggling to return to their own surroundings. It also mentioned that while there was a "natural combination" amongst all native officials to help each other by mutual accommodation, there was no such understanding among the several collectors (BRP 607, March 12, 1886).

As illustration the BOR mentioned that in Cuddapah as many as 48 posts were monopolised by just one family, and the whole district was in the hands of "cliques of relations, ramifying through all branches of the administration", making it "most difficult, and often impossible to unravel the truth from the network of interested falsehood with which it is entangled and overlaid, while defalcation, etc, is the natural outcrop of such protective influences". As Bellary was suffering from the same causes and its huzur sheristadar D Krishna Rao was found to be surrounded by officially employed connections to a degree incompatible with public interest, the BOR ordered his transfer to Cuddapah and his similarly circumstanced brother-in-law, deputy tahsildar A Lakshmana Rao, to Kurnool. The BOR noted that Coimbatore was similarly hampered, and so doubtless were the other districts in varying degrees [cf Washbrook 1977: 36-37]. Its account of the state of affairs in Tanjore needs elaboration.

Following loss of crops caused by the 1884 rains and floods, the Tanjore collector proposed in 1885 remissions to the extent of Rs 8 lakh. As this sum was far in excess of the remissions granted till then, the government deputed H S Thomas, a member of the BOR and an ex-collector of Tanjore closely familiar with the area and its subordinate bureaucracy, to ascertain if such heavy remissions were really called for. His investigations revealed that nearly half the amount claimed was fraudulent and the outcome of a well-organised conspiracy by officials interested in obtaining remissions on their and their relations' lands, together accounting in value for more than a hundred lakhs of rupees. Following this scandal the government dismissed 19 officials (13 brahmins, four pillais, and two naidus—another non-brahmin upper caste), awarded lesser punishments to six others (four brahmins and two pillais), and called upon four others (all brahmins) to state how, when scrutinising the 'jummabundy' (annual revenue settlement) accounts they passed them as correct and failed to bring to notice the numerous fraudulent entries (GO 122 Revenue, February 15, 1886; cf Washbrook 1977: 38-39).

As a prelude to these illustrations the BOR had dwelt on the grave consequences for the administration from two causes: First, "the accumulation of many public offices in the hands of relatives of a few influential families, tending naturally to the formation of strong cliques for the benefit of those families necessarily at the expense of others and of the state" Second, the intensification of such personal interests "by the possession of landed property in the district in which the monopolising families hold office, such landed property necessarily implying influence, as well as interests generally inimical to those of the state by which they are employed so that officials are naturally under strong temptation to be at the heart the guardians of their own personal and family interests in preference to those of the public" (BRP 607, March 12, 1886).

The BOR was unequivocal in its conclusion that it was better for the state materially, and such officials morally, to have their sphere of duty outside the circle of such temptations, and that this could be arranged only by employing them in districts other than those in which they were subject to such influences. Accordingly, it directed the collectors to submit returns of the properties and relationships of all officials on salaries exceeding Rs 50 a month, that is, of posts involving magisterial authority.

While acknowledging the excellence of the BOR's objective the governor held that it had exceeded its powers, and ordered the withdrawal of its proceedings, expressing at the same time his willingness to consider any other proposal. When the BOR insisted that its proposal was the best practical solution, he rejected it *in toto* on the ground that the necessity for wholesome transfers was not made out and the BOR's scheme could not be so modified as to render it both effective and innocuous (GO 77 Revenue, January 30, 1899).

In 1890 while working out the Provincial Civil Service scheme, the Madras government modified free competition for posts of deputy collectors for enabling it to appoint one-third of the vacancies by selection from persons of proved merit and ability. As this had no effect on the brahmins, in 1896 it limited appointment of deputy collectors by open competition to one per year for correcting their communal distribution [Suntharalingam 1980: 125].

By this time instances of the use of family connections by revenue officials had assumed scandalous proportions. One indication of this was a write up in *The Hindu* of August 17, 1892, on the relationship between Krishna Rao, and Lakshmana Rao (both of the Bellary fame), and a number of other officials. Following this, the BOR called for a complete list of the relations of these officials in public service in the district. Finding that a state of things similar to what necessitated their transfer from Bellary existed in Anantapur (then separated from Bellary district) also, the BOR cancelled its earlier proceedings transferring to Anantapur Krishna Rao from Cuddapah and Lakshmana Rao from Kurnool and ordered for the exchange of the former with the huzur sheristadar of Cuddapah and the latter with the tahsildar of Koilkuntla in Kurnool (GO 4519 Revenue, October 17, 1892).

Preponderance in Higher Education

No doubt, brahmin preponderance in public service was a reflection of that in higher education. Reviewing the results of the 1870-72 Matriculation and First Arts (FA) examinations, the MPAR for 1871-72 recorded that "[t]he percentage of brahmins, always immense, has increased, while that of other Hindus has greatly fallen off". The situation was much the

same even after a decade. The PIR for 1880-81 recorded the educational statistics as "curious, illustrating the energy with which brahmins are endeavouring to keep the lead in the higher education". The PIR for 1881-82 revealed that for the FA and BA examinations combined there was one candidate for every 125 brahmins in the presidency as against one candidate for as many as 5,888 Other Hindus, 11,984 Muslims, and 447 Indian Christians. The PIR also recorded that the vast preponderance of brahmins in the Arts course was highly creditable to their ability and energy. The DPI's regret then was that they were little prone to adopt callings of a scientific or practical character. However, in the PIR for 1882-83 he wrote:

> I rejoice to have to now to record a change in the brahmin students, which promises well for the country and for the future, influence and position of the brahmin community. The Civil Engineering College, the Medical College, and the School of Agriculture,... are attracting to themselves brahmin students in rapidly increasing numbers whilst the growing partiality of BA students for the science course is an indication of the same spirit.

By this time, when the government had determined to employ only men of acknowledged educational attainments in higher branches of public service and there was keen competition for appointments, only about one-third of the graduates had gained entry into public service (PIR 1882-83). In view of this, the PIR for 1882-83 recorded that it was hopeless to expect Europeans, Eurasians, or Muslims to contend on equal terms with Hindus (read brahmins) whose progress at school or college was more rapid, and proposed reservation of appointments for the various classes. The government concurred with the DPI, but postponed its decision to further consideration.

Sensing the strong nexus between English education and government employment, by 1888 the education department began to express its concern about the disproportionate distribution of higher education as well. For instance, the PIR for 1888-89 recorded the unequal distribution of higher university education among the different sections of the population as certainly a matter for regret, and an anomaly which demanded the serious attention of all interested in the progress of the country.

However, it was only in the 1900s that any action was initiated, that too in the limited context of the College of Engineering, Madras.[9] Of the students admitted to this college about 92 per cent in 1899, and 79 to 93 per cent during 1900-03 were brahmins, though their population in the presidency was only about 3 per cent (Table 2).

The college rules already had provisions for admitting four qualified Europeans/Eurasians and three Muslims annually, even if they were not within the first 15 qualified candidates. In view of the brahmin preponderance, the DPI, college principal, and the education department officials favoured reservation for non-brahmin castes as well (see Educational GOs 244-45 of May 25, and 544 of December 9, 1903). But, A G Cardew, education secretary, felt that brahmin preponderance was a case of the survival of the fittest, and that it was not shown that brahmin was less fit for engineer's duties than non-brahmin Hindus, while it was proved that he was more intelligent. He, therefore, wanted to see if there was any sufficient reason for deliberately preferring the "less intelligent class".

Responding to Cardew, the Coimbatore collector credited the brahmins with more brains; the Nellore collector rated them as the best workers, on the average more intelligent than others, and "not a whit more dishonest"; the Bellary acting collector remarked that "the brahmin is as a rule clever and can be made to do good work", and did not "consider it necessary to make admission of men of other castes more easy"; the south Canara acting collector favoured them more eloquently:

> If other castes are as good as brahmins then there is no particular object in giving them "most favoured" treatment. If they are not (and I believe they are not), then you are deliberately laying yourself out to get an inferior article... [A]pparently the idea is to convert a sort of free trade into a modified form of protection; as an encouragement to vaisyas and sudras to move out of their hereditary groove it might be useful. Intellectual work always has been more or less the property of the brahmin "guild" and I dont consider the preponderance of brahmins... undesirable except insofar as it indicates a stagnation in the intellectual activity of other castes.

The remaining officials were against brahmin preponderance: The Vizagpatam collector reported that sudras made excellent engineers, and wanted to increase their numbers. The Cuddapah collector remarked that the "clannish nature" of the brahmins was an obstacle to the "senior local man" exercising proper supervision over them. The Madurai acting collector expatiated that "an engineer has generally a lot of camping and knocking about to do", that "though an Aiyangar will, as a rule, adapt himself to this life, an Aiyar will not and tends sooner or later to get lazy", and that "the non-brahmin, though his brain work is worse, is generally better than either at knocking about and handling coolies". The Ganjam collector recorded that "brahmins are good in an office, but not so useful in the hard out of door life that an engineer should lead" and that "besides, if brahmins get such a monopoly the subordinate posts will be filled with their relations or caste men..". The Tanjore acting collector complained that brahmins constantly neglected their duties for performing religious ceremonies. The Trichinopoly collector conveyed that "in the event of any underhand or dishonest practices obtaining among the subordinates,... brahmins form a clique which it is very difficult to break down", and that "non-brahmins and Mussalmans can be more easily found out, because they have fewer friends and more enemies".

Virtually all the officials consulted were Europeans. As most of them were for letting in other castes more freely, in 1903 the government enhanced the admissions to the college from 15 to 20 an year, and ordered induction of not less than 25 per cent of the candidates from non-brahmin castes (GO 544 Education, November 9, 1903).

Though brahmin preponderance in higher education continued even after this order, it was only since the late 1920s that the government made any serious attempt to reduce it.

Further Curbs on Employment

It was, however, continuing with its efforts to curb brahmin monopoly in public service. Thus, in 1904 the BOR obtained from the collectors a statement of the castes of all employees in superior service,

Table 2. Engineering Students by Caste/Community

Year	Brahmins		Other Hindus		Muslims		Christians		Total	
	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent
1899	11	91.7	--	—	—	—	1	8.3	12	100.0
1900	11	78.6	1	7.1	--	--	2	14.3	14	100.0
1901	13	86.7	—	—	1	6.7	1	6.7	15	100.0
1902	13	86.7	1	6.7	--	—	1	6.7	15	100.0
1903	14	93.3	--	—	—	—	1	6.7	15	100.0
Total	62	87.3	2	2.8	1	1.4	6	8.4	71	100.0
Population		3.1		86.1		6.4		2.7		98.2

Note: Christians include Europeans/Eurasians; population as per 1901 Census.
Source: GO 544 Education, November 9, 1903.

that is, on monthly salaries of Rs 15 and above,[10] in the revenue offices in the districts. As the brahmin-non-brahmin ratio was 70:30, it instructed the collectors to watch the recruitment of non-brahmins for ensuring more fair distribution of appointments. That year, in the uniformly introduced district establishment list of revenue officials, the BOR provided a column to show the caste/sect of each subordinate for enabling the collectors to see how far the BSO was enforced (GOs 792 Revenue, July 25, 1904; 2491 Revenue, August 15, 1911).

In 1909, the BOR informed the Registrar of Co-operative Societies that "not more than one half of the total number of superior appointments in an office should ordinarily be held by brahmins, the other half being at least the due share of non- brahmin Hindus, Indian Christians, Muhammadans, and Eurasians". Finding that the proportion of brahmins did not show any substantial dimunition, in the following year the BOR asked the registrar why he had not followed its instructions and why the power of making appointments shall not be withdrawn from him. It also ordered that until the proportion of brahmins was reduced to nearly 50 per cent of the total strength he should appoint fully qualified non-brahmins in preference to brahmins (GO 2357 Revenue, July 16, 1910).

By this time brahmin preponderance had also become a threat in the Bombay presidency. The Bombay government regretted in 1910 that its principle, recorded in 1881 and reaffirmed repeatedly, that in distributing public patronage endeavour should be made to secure a due admixture of the various races/castes, had remained practically a dead letter, and that this was particularly so in the central division and in the Marathi speaking districts of the southern division of the presidency where brahmins continued to secure by far the largest proportion of government posts in all departments and in all grades of service. It also reported that brahmins showed bitter hostility towards the British, that there had been no seditious movement in which they, especially chitpavans and desasthas, had not taken part, and that it had difficulty in depending on their loyalty. It felt that the danger of their disaffection was greater in the "great imperial services" such as of the postal, railways, and the telegraphs, where the harm which the subordinates with little supervision had "special facilities for doing, by spreading the taint of disloyalty", was incalculable.

The Madras government's reaction to Bombay's predicament was lukewarm. In the public department one official recalled the "strange tales" he had heard when on the west coast, of an adjoining Bombay district where a native collector had filled the district with his relatives, his 'duffedar' (personal peon) even being a first cousin. He concluded that Bombay government evidently had good cause for alarm. As of Madras, he expressed his confidence that the BOR was exercising "constant vigilance".

Another official accused the Bombay government of clearly convicting itself of "extraordinary supineness" in having omitted, despite the "startling warning" of 1897, including the murder of two British officials by chitpavan brahmins, to take effective measures to prevent the predominance of a single caste. As of the conditions in Madras he reasoned thus:

> The real danger against which action should... be concerted... is not against the predominance of brahmins, who [have] not been shown to be specially disaffected towards the government and who after all [are] unquestionably, on the average, the most efficient portion of the community, but against the tendency towards the practical exclusion from the higher offices of the state of those portions of the community, especially the Muhammadans and the Eurasians, who are least able to compete with the rest of the population in the severe struggle imposed by our examination system.

Accordingly, he wanted the government to make some allowance for the "inferior efficiency" of Muslims and Eurasians, take up seriously the question of promoting a fair proportion of them to the rank of deputy tahsildars, tahsildars and district munsiffs.

A third official expressed his view against the monopoly of any single caste:

> [W]hen an office consists largely of one caste... faults and even serious offences are concealed and members of other castes are shut out of employment. The first is bad for efficient administration and leads to corruption and the transfer of power from the hands in which it should lie to the hands of inferior public servants. The second... is unfair to the excluded communities and must create discontent among them.

Stating that "there is always an ill-defined apprehension about what the future may have in store in the way of sedition", he stressed that like the class regiments to prevent collusion and detect seditious or mutinous conspiracies, there was need for quasi-class establishments. He also noted that while in the higher ranks of public service there must "always be a high preponderance of brahmins, since they are by far the most intellectual class, yet it is important to prevent that caste, or any other caste gaining a monopoly".

The BOR's scrutiny of the state of affairs prompted by the Bombay missive again revealed the predominance of brahmins: They held 57 to 76 per cent jobs in different departments, and about 69 per cent of all the jobs, though they were only about 3 per cent of the population (Table 3).

In the light of this preponderance the BOR again asked all the departments to adhere to the BSO. In view of the difficulty in getting qualified candidates, the chief presidency magistrate even proposed the creation of a recruitment bureau for different grades and classes of appointments, though the government dropped it as unfeasible (GO 1561 Public, December 19, 1912).

Following the 1909-10 Morley-Minto reforms, the first major step towards Indianisation of the administration, in 1911 the government of India desired the provincial governments to secure in their services adequate representation of the various classes. On its part, the Madras government called for statistics from all heads of departments on the distribution of the various classes in public service. In that connection the BOR reported that it was scrutinising the annual lists of persons recommended by the collectors for posts of tahsildars and deputy tahsildars to check the preponderance of brahmins by securing suitable non-brahmins from

TABLE 3: OFFICIALS BY CASTE/COMMUNITY, 1911

Department	Brahmins		Non-Brahmins		Muslims		Christians		Total	
	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent
Revenue	4106	70.1	1324	22.6	214	3.7	213	3.6	5857	100.0
Judicial	178	62.7	78	27.5	10	3.5	18	6 3	284	100.0
Salt, Abkari and customs	613	56.8	284	26.3	45	4.2	138	12.8	1080	100.0
Public works	397	72.7	88	16.1	8	1.5	53	9.7	546	100.0
Education	440	75.7	56	9 6	32	5.5	53	9.1	581	100.0
Total	5734	68.7	1830	21.9	309	3.7	475	5.7	8348	100.0
Population		3.2		87.4		6.6		2.8		100.0

Note: Non-Brahmins include others (1.8 per cent); Christians include Europeans/Eurasians (0.1 per cent); population as per 1911 Census.

Source: GO 1561 Public, December 19, 1912.

other districts if the district did not have a sufficient number of them. It also mentioned that having found in 1910 that brahmin preponderance was marked in some districts, it informed the district authorities that it would decline to place any more brahmins on the list of such districts, unless the collectors had taken every possible means to find suitable non-brahmins for inclusion in the lists.

However, the government's scrutiny of the revenue establishment list corrected up to January 1, 1911 revealed that in no less than 10 out of the 24 districts the BSO was on that date apparently disregarded. Expressing its lack of confidence in the care taken by the BOR to avoid the dangers arising from the concentration of an undue number of posts in a district in the hands of a single caste or a single family, it advised the BOR to institute an enquiry in all districts (GO 1763 Revenue (Confidential), June 9, 1911). In a related GO it also declined to concur with the BOR that "different sects of brahmins may safely be regarded... as constituting different castes", and held that "[i]nspite of the existence of rivalries... there is reason to believe that they will unite in their opposition to the preferment of men of other, and in [the BOR's] view, lower castes". Therefore, it insisted on maintaining as strictly as possible the rule that the men doing duty in the appointments of sheristadar and head clerk shall not be of the same caste (GO 2491 Revenue, August 15, 1911)

In a note on provincial services prepared for the Royal Commission on Public Services, appointed in pursuance of the Morley-Minto reforms, the Madras government reported in 1913 that all the officers appointed after the competitive examinations of 1893-95 were, with one exception, brahmins, that of the total deputy collectors in the presidency they accounted for 53 per cent in 1896 and 55 per cent in 1912, and that in the judicial branch in 1912, 15 (83.3 per cent) of the 18 permanent sub- judges, and 93 (73.8 per cent) of the 126 permanent district munsiffs were brahmins. Stating that as a consequence of their extraordinary ability in passing examinations, it was practically certain that they would always or at least for many years, obtain all or nearly all the appointments thrown open to competition, it observed that such a monopoly was not advantageous to the administration both because of the preponderance of this one class and because, the large proportion of them recruited will leave it no opportunities for rendering justice to the other classes. Therefore, it recommended that the proportion of brahmins shall not exceed 50 per cent (GO 202 Public, February 12, 1913; also Arooran 1980: 37).

Parallel to and reinforcing these efforts to reduce the representation of brahmins were those to increase that of Muslims.

II
Muslims and British Administration

The resentment of Muslims against their political dispossession by the British, their lack of social integration with non-Muslims, and failure to participate in English education and its material benefits, the belated British efforts to draw them into its patronage network, and other related issues have all been concerns of several works [Ahmed 1981; Coupland 1942; Hasan 1985; Hunter 1872]. Suffice to say that though in Madras presidency, where Muslims were not too large a group and their sense of hurt, loss of pride, and discord with the Hindus were not too deep [cf McPherson 1969: 401], as a follow up to viceroy Mayo's resolution of August 7, 1871 on Muslim education, in a memorandum of July 29, 1872, governor Hobart laid down what turned out to be a major policy on Muslim education and employment for over the next four decades.

Restating Mayo's views, Hobart regretted that Muslims should have passed, from intimate association with the British in the governance of territories they once ruled, into almost absolute political insignificance, and should have been superseded in that association by "races" whom they had subjugated and considered very inferior to themselves. He saw this as injurious to the most vital interests of the empire, and reasoned thus:

The exclusion of any class, by any other fault than its own, from political power to which other classes are admitted, and for which it is not disqualified, is opposed to the general principles of political science. When the class excluded has a character and history such as of the Muslims, the temptation to disaffection and conspiracy against the state is exceedingly strong. The state, in losing the services of Muslims, loses the services of men possessing some peculiar qualifications for the business of government, which are probably more valuable than those possessed by the "races" which have supplanted them. One of the principal objects of according Indians a participation in the governance of India is that they may be interested in its stability. This object is all the more important in the case of a class whose power for good or evil is greater than that of any other in the country.

Hobart attributed the Muslim alienation to the long absence of the demand for Muslim functionaries in the departments of the administration requiring legal knowledge, because of the replacement of Muslim law and the languages in which it was conveyed by English law and the English language throughout India; and to very few Muslims qualifying themselves for public service. He felt that the first cause was beyond the government's control, while the second could be modified or removed. Accordingly, he considered the reasons which prevented Muslims from qualifying for public service, namely, their impression that the government was disinclined to admit them to public employment and their objection on religious or other grounds to its education, and how these could be eliminated. He explained that the impression of the Muslims about the government did not arise from any prejudice on its part, that qualified Hindus were more eager and ambitious aspirants to public employment than qualified Muslims, and that the former usually presented themselves in the "van of the crowd of candidates", while the latter were relegated to the background (GO 288 Education, October 7, 1872; Suntharalingam 1980: 254-56; also cf Ahmed 1981: 133-140).

Preferential Employment

Hobart's memorandum was followed up by a circular on his anxiety to see that Muslims participated in public service more proportionate to their numbers and intelligence, and that the claims of those Muslims who satisfied the prescribed tests should be specially considered when filling up vacancies. The circular also called for statements of Muslims employed in various offices on salaries exceeding Rs 10 a month, with the name of the person, his salary, and designation, vernacular languages with which he was acquainted, nature of the tests passed, and any other desirable information [Saraswathi 1974: 107-8].

In the years since 1872 the government called for periodic reports from its officials on the special efforts required for giving qualified Muslims a fair share of public employment. In keeping with the government of India's directive following the recommendations of the 1882 Education Commission, in 1885 it also directed the accountant general to furnish on September 15 every year details on the extent of Muslim employment in government for inclusion in the annual MPARs (EP 507, August 14, 1885). The PIRs also devoted a section to such details.

The information obtained from these sources revealed the continuing under-representation of Muslims, and over-representation of brahmins: For a population of 6.4 per cent, Muslims were only

2.7 per cent of the officials in 1881, despite an increase of 12.5 per cent over the preceding decade. For a population of 3.7 per cent, brahmins were 60.2 per cent and almost the same proportion as in 1872. Though by 1886 the representation of Muslims had increased it was mostly in posts on salaries not exceeding Rs 10 a month: In 1886 Muslim officials on salaries not exceeding and exceeding Rs 10 were 24.6 per cent and 4.2 per cent respectively, whereas the corresponding figures for brahmins were 5.2 and 55.1 (Table 4).[11]

Though the 1886 statistics dividing officials into two salary categories of not exceeding and exceeding Rs 10 were insufficient for ascertaining the distribution of appointments and the future returns were to show the number of each class employed in the various upper grades separately, the BOR again directed the collectors to introduce as many Muslims into public service, consistently with the efficiency of their offices and the claims of the other classes (GO 1296 Revenue, March 1, 1887).

Educational Advancement

Meanwhile, the government was also monitoring its policy since 1872 on Muslim education. The MPAR observed in 1871-72 as of "deserving note" that a Muslim obtained the BA degree for the first time in the history of Madras University, in 1877-78 that in matriculation the advance was most marked among Muslims, and in 1887-88 again as of "deserving note" that another Muslim obtained the BA degree; while the PIR observed in 1887-88 that few things were more encouraging in the history of education in the presidency than the appreciable advance Muslim education was making year after year.

These observations were not without exaggeraton: For a population of 6.4 per cent, Muslims were only 1.8 per cent of the total matriculates from 1858 to 1890, 0.9 per cent of the total Arts and professional graduates from 1861 to 1890, and 1.5 per cent and 3.8 per cent of the total students in 1891 under higher and secondary education respectively. In contrast, for a population of 3.7 per cent, the corresponding figures for brahmins were 60.2, 66.6, 66.5 and 42.5. Though nowhere near brahmins, it was only in primary education that Muslim representation was close to their population percentage.

In a numerical sense, however, the observations were not without significance, especially since the 1890s: While Muslims had only 503 matriculates and 21 Arts and professional graduates over the preceding three decades, the corresponding additions were by 248/56, 462/76, and 978/59 during the years 1891-1900, 1901-10, and 1911-16 respectively. This increase was mainly a reflection of that in the number of students under higher and secondary education, from 67/1275 in 1891, to 87/2353 in 1901, to 103/5519 in 1911, to 200/7114 in 1916 (Tables 5-7), that is, just on the eve of the launching of the non-brahmin movement.

This numerical increase led to the emergence of an incipient class of English educated Muslims in south India, who, as Suntharalingam has observed, were either absorbed into the administration or became lawyers, doctors, journalists, or teachers [Suntharalingam 1980: 256]. This class had linkages with similar classes in the rest of India, through migration of wealthy and well-educated professionals, as for instance, from Calcutta to Madras; organisations like the National Muhammadan Association founded in Calcutta in 1878 for drawing government's attention to the socio-educational needs of the privileged Muslims [Ahmed 1981: 36-37]; all-India Muslim educational conferences, themselves a part of educated Muslims' efforts to mobilise public opinion for their action programmes [Ahmed 1981: 152]; and the British perception of Indian Muslims as an all-India ensemble as reflected in its educational and employment policies since the 1870s. Such linkages gave this new class a semblance of pan- Indian identity, especially in the face of an emergent Hindu nationalism through all-India and provincial organisations like the Indian National Congress and the Madras Mahajana Sabha which heightened the consciousness of educated Muslims of their own political effeteness and minority status [Suntharalingam 1980: 253-256].

Though not very effective in leadership and mobilisation, this class tried to articulate the aspirations of the Muslim community. Numerous associations were formed for this purpose, often with overlapping objectives and the same personalities. Of these at least five deserve mention here:

First, the Anjuman-i-Islamiah of Madras founded in 1876 for remitting money through the Turkish Relief Fund launched for helping the Muslim brethren in Turkey, embattled by the 1877 Russian aggression. After its dormancy for a while following the termination of the war in 1878, its activities since 1881 centred on regional issues like ventilating the grievances of Muslims, reforming the customs and usages detrimental to their progress, and establishing good fellowship among them and with other communities. According to Suntharalingam, by July 1884 the Anjuman had about 500 members on its rolls, two schools to educate Muslim youth up to the middle level, and an Urdu paper, *Ittifaq*. Second, the Madras branch of the Central National Muhammadan Association formed in 1883 as a "proper channel" for Muslims to communicate with the government and for the socio-political and intellectual improvement of the community. Third, the Board of Muhammadan Education in the same year for maintaining a boarding house attached to the Madrasa-i-Azam for the secular and religious education of at least

Table 4: Officials by Salary and Caste/Community

Salary/Year	Brahmins		Other Hindus		Muslims		Christians		Total	
	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent
Rs 10 or less										
1872	62	32.0	118	60.8	4	2 1	10	5 2	194	100.0
1881	72	36.9	109	55.9	6	3 1	8	4 1	195	100.0
1886	649	5.2	8531	68.1	3081	24.6	268	2 1	12529	100.0
Above Rs 10										
1872	3105	62.6	1479	29.8	122	2.5	257	5.2	4963	100.0
1881	3168	61.1	1623	31.3	139	2.7	255	4.9	5185	100.0
1886	3517	55.1	2078	32.6	265	4.2	522	8.2	6382	100.0
Rs 11 to 49										
1872	2583	64.1	1212	30.1	97	2.4	140	3.5	4032	100.0
1881	2623	62.1	1337	31 6	117	2.8	150	3.5	4227	100.0
Rs 50 to 149										
1872	398	57.1	196	28.1	22	3.2	81	11.6	697	100.0
1881	407	56.5	220	30.6	19	2.6	74	10.3	720	100.0
Rs 150+										
1872	124	53 0	71	30.3	3	1.3	36	15 4	234	100.0
1881	138	58.0	66	27.7	3	1.3	31	13 0	238	100.0
Total										
1872	3167	61.4	1597	31.0	126	2.4	267	5.2	5157	100.0
1881	3240	60.2	1732	32.2	145	2.7	263	4.9	5380	100.0
1886	4166	22.0	10609	56.1	3346	17.7	790	4.2	18911	100.0
Population										
1871		3.5		88.9		5 9		1.7		100.0
1881		3 7		88.0		6 4		1.9		100.0

Note : Other Hindus include Buddhists/Jains; Christians include Europeans/Eurasians.
Sources: BRP 1318, May 1882; GO 1296 Revenue, March 1, 1887.

200 resident Muslims at a time. Fourth, the Anjuman-i-Mufidi-Ahla-i- Islam established in 1884 for furthering the interests of the Muslims by approaching the government on matters affecting their rights and privileges, and promoting their loyalty and attachment to the government and the throne. It was managing a technical school and a workshop, and since 1903 was in receipt of an yearly grant of Rs 5,000 from the government. Fifth, the Central Mahomedan Association launched in 1886 at the instance of C D Maclean, collector of sea customs and chairman of the Mahomedan educational endowment fund for unifying other Muslim associations.

Humayun Jah Bahadur[14] was president, and Mahomed Abdulla Badsha, a wealthy merchant, was treasurer of the first and second; Mir Ansaruddin, presidency magistrate, and Mohamed Ishak, assistant government agent at Chepauk (Madras), were vice-presidents of the second; Ahmad Mohidin, a member of the prince of Arcot's staff, Syed Abdur Rahman, a Bengal Muslim qualified as barrister in England and practising in the Madras High Court, and Mohidin Sheriff, a doctor at a Triplicane (Madras) hospital were secretaries of the first, second, and third; governor Wenlock was patron, and prince of Arcot was vice-patron of the fourth; and Lt Col TO Underwood, Paymaster, Carnatic Stipends, was president, and Syed Mahomed Nizamuddin, a lawyer of the Madras High Court, was secretary of the fifth [Radhakrishnan 1990: 512, 519; Saraswathi 1974: 126; Suntharalingam 1980: 250-53; Educational GOs 480 of July 7, 1893, and 977 of October 25, 1913].

The articulation by these and other associations, often limited to government patronage, was through the provincial councils, Muslim press, petitions and memorials.

Provincial Councils

Of these, the provincial council started in 1862 under the 1861 Indian Councils Act, was probably the least effective. In the transactions of the council the nominated members, far outweighed by officials, had hardly any say, and the nominations were innocuous "honours" flaunted by some of the local notables on whom the governor fancied to confer them. The meetings were also few and far between, not exceeding a dozen times a year, arbitrarily convened by the governor [Krishnaswamy 1989: 2-7; Markandan 1964: 12-13]. The observation of the Madras Almanac that during Humayun Jah Bahadur's long tenure in the council from 1867 till his death in 1893 it could hardly remember a single occasion when he took an active part in its proceedings [Markandan 1964: 12], echoes the hollowness of such nominations.

Though the 1892 Act was an improvement over the 1861 Act, the provincial council under it was still a far cry from a representative institution, and interpellations by Muslim nominees were few and far between. Some exceptions were those by Vellore Mohamed Sheriff in 1896-97, and Gulam Mohamed Sahib Bahadur in 1898-99 [Markandan 1964: 88-90]. Depending on its expediency the government explained its action in response to certain interpellations such as on Muslim education and employment; and declined to comply with certain others such as for reservation in public service for qualified Muslims, for inquiring into individual claims of Muslim graduates for advancement in higher ranks, and for appointment of a committee of members of leading Muslim associations in Madras to report upon Muslim employment. Interpellations which embarrassed the government were invariably disallowed.[15]

Muslim Press

The Muslim press was relatively more effective. In 1887 the Central Muhammadan Association, Madras presidency, made two suggestions for securing larger employment of qualified Muslims in public service. One was the preparation of a list of Muslims seeking employment in government service. The government advised the Association that it would further its cause by preparing the list itself and forwarding directly to the heads of departments. The other was for furnishing information of vacancies to the editor of *Muslim Herald* for free publication. The government commended this to the heads of departments (GO 677 Education, December 7, 1887).

A decade later the editor of *Muhammadan* brought to the government's notice that though the *Muslim Herald* had agreed to publish free all advertisements for Muslim candidates, the matter was dropped after a while. He felt that though heads of departments might have been inclined to comply with government orders, want of information about qualified hands was coming in the way. In view of this, he also offered to publish free all advertisements requiring Muslim candidates. The government commended this also to the heads of departments (GO 100 Public, February 4, 1897).

Shortly thence, the *Muhammadan* of March 11 and 14, 1901 made a furore over

Table 5: Matriculates by Caste/Community

Caste/Community	1858-1870	1871-1880	1881-1890	1891-1900	1901-1910	1911-1916	Total
Brahmins	1385	4937	10453	9182	16038	18085	60080
	53.5	61.3	60.6	64.9	65.3	60.6	62.3
Other Hindus	624	1910	4176	2869	5389	7643	22611
	24.1	23.7	24.2	20.3	22.0	25.6	23.5
Muslims	41	119	343	248	462	978	2191
	1.6	1.5	2.0	1.8	1.9	3.3	2.3
Christians	540	1086	2244	1810	2636	3109	11425
	20.8	13.5	13.0	12.8	10.7	10.4	11.9
Others	—	1	27	29	24	24	105
	—	0.0	0.2	0.2	0.1	0.1	0.1
Total	2590	8053	17243	14138	24549	29839	96412
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note : Christians include Europeans/Eurasians. Table excludes figures for 1904-1905.
Sources: Tabulated from the University of Madras, Calendar for 1922; GOM 1874: 195.

Table 6: Arts and Professional Graduates by Caste/Community[12]

Caste/Community	1861-1870	1871-1880	1881-1890	1891-1900	1901-1910	1911-1916	Total
Brahmins	36	298	1197	3565	4568	4365	14029
	58.1	63.3	67.8	70.5	71.4	65.7	68.8
Other Hindus	9	81	352	910	1173	1512	4037
	14.5	17.2	19.9	18.0	18.3	22.8	19.8
Muslims	—	1	20	56	76	59	212
	—	0.2	1.1	1.1	1.2	0.9	1.0
Christians	17	89	191	524	569	703	2093
	27.4	18.9	10.8	10.4	8.9	10.6	10.3
Others	—	2	5	4	10	6	27
	—	0.4	0.3	0.1	0.2	0.1	0.1
Total	62	471	1765	5059	6396	6645	20398
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note : Christians include Europeans/Eurasians.
Source: Tabulated from the University of Madras, Calendar for 1922.

a suggestion to withdraw all concessions to the Muslims. The suggestion was by Rev E Sell, chairman of the executive committee of the council of aided education, Madras presidency, made at the anniversary of Harris High School, Mangalore. Speaking generally, Sell averred, he could not see any improvement in Muslim education, that too despite very special and peculiar privileges, and called for the most earnest attention of the leaders of the Muslim community. In that context he observed that "[a] favoured class is apt to become a lethargic one" and as such "the quickest method of rousing their interest and energy would be to abolish all special concessions and privileges".

Condemning Sell's suggestion, in a memorial to the governor the Muslims of Mangalore town pleaded that the time to accept it had not come, that their younger generation deserved some more concessions as a "backward class", and that those already granted were inadequate and unequal to what their Hindu brethren were enjoying since the organisation of public service. Their specific requests were for some suitable Anglo-Hindustani schools with superior management and low fee for the education of the Muslims of Mangalore district, and to confer on them some responsible posts such as of deputy collector and *tahsildar*. In view of what it felt as too many concessions already offered, the government declined to do anything more (GOs 37 Education, January 27, 1900; 552 Education, September 30, 1901).

Petitions and Memorials

Of all the means of Muslim articulation petitions and memorials were the most effective. Of these only a few are discussed here.

At the all-India level, in an 1882 memorial to viceroy Ripon, which the Education Commission of that year reported as by far the most important of all the memorials from Muslims [GOI 1883: 496-97], the National (redesignated as "Central National" since 1883) Muhammadan Association, one of the most effective Muslim political pressure groups of the late 19th century [Ahmed 1981: 163-64], deplored the "decayed" position of Indian Muslims and the circumstances which prolonged it. These, according to the memorial, were the substitution of Persian with English or the vernacular as the official language; resumption during 1828-46 of the revenue free grants which under the Muslim rule were generally made to men of learning for charitable and pious purposes, and the 1864 order that English alone should be the language of examination for the more coveted appointments in the subordinate civil service. Of the poor representation of Muslims in public service it observed:

> It has been to no purpose,.. that for the last twenty years the Musalmans have made strenuous efforts to qualify themselves to enter the lists successfully with the Hindus, for, with every avenue to public employment already jealously blocked by members of a different race, it is almost impossible for a Muhammadan candidate to obtain a footing in any government office. The various orders, issued from time to time, that a proper regard should be paid to the claims of Musalmans had practically become inoperative [GOI 1883: 497].

This memorial was fully reported upon by the provincial governments and discussed by the Education Commission (GO 507 Education, August 14, 1885). As Ripon left India before he could deal with it, his successor, Dufferin, after considering it and other related material, reaffirmed his "lively interest" in the advancement and well-being of the Muslim community in India, and laid down the following policy:

> It is the earnest desire of the supreme government to treat all classes of her majesty's subjects in India with absolute impartiality, and see all alike benefiting by the protection, the patronage and the assistance of the state (GO 507 Education, August 14, 1885).

In an 1888 memorial, recalling the one of 1882, the association again drew the attention of the viceroy to the difficulties under which Muslims generally laboured in obtaining a just recognition of their claims to a proper share of government patronage, despite government's repeated expression of goodwill. Forwarding a copy of this memorial to the Madras government, the government of India reaffirmed its policy laid down in 1885 (GO 577 Education, September 27, 1888; 57 Education, February 1, 1889).[16]

At the regional level, an 1886 petition by the Anjuman-i-Islam of Salem called for conferring on Muslims the newly sanctioned appointments of income tax clerks in the collectorates, their divisional offices, etc. The government replied that it had decided to employ only men from the permanent establishment for income tax work, and that in filling up the temporary vacancies thus created due consideration will be given to the orders already issued regarding Muslim employment. At the same time, it ordered the preparation in all departments of statements of the entire number of officials from the highest to the lowest grades employed in public service under the classes brahmins, other Hindus, Muhammadans, native Christians, and Europeans/Eurasians. Officials whose salary did not exceed Rs 10 a month were to be shown separately, while

Table 7: Scholars by Caste/Community and Stage of Instruction[17]

Stage/Year	Brahmins	Other Hindus	Pancha-mas	Muslims	Chris-tians	Others	Total
Higher							
1891	2961	992	—	67	417	13	4450
	66.5	22.3	—	1.5	9.4	0.3	100.0
1901	3207	798	5	87	405	5	4507
	71.2	17.7	0.1	1.9	9.0	0.1	100.0
1911	4012	1121	—	103	559	6	5801
	69.2	19.3	—	1.8	9.6	0.1	100.0
1916	6432	1956	2	200	962	13	9565
	67.2	20.4	0.0	2.1	10.1	0.1	100.0
Secondary							
1891	14254	10919	313	1275	6667	128	33556
	42.5	32 5	0.9	3 8	19.9	0.4	100.0
1901	26961	19723	255	2353	10095	49	59436
	45.4	33.2	0.4	4.0	17.0	0.1	100.0
1911	45124	40544	280	5519	18712	157	110336
	40.9	36.7	0.3	5.0	17.0	0.1	100.0
1916	59133	59546	724	7114	23074	301	149892
	39.5	39.7	0.5	4.7	15.4	0.2	100.0
Primary							
1891	73433	376832	21420	65598	48912	1363	587558
	12.5	64.1	3.6	11.2	8.3	0.2	100.0
1901	73399	417199	52118	69281	56007	3542	671546
	10.9	62.1	7.8	10.3	8.3	0.5	100.0
1911	93813	675859	71737	97396	82851	7394	1029050
	9.1	65 7	7 0	9.5	8.1	0.7	100.0
1916	109333	902072	119628	129576	95347	8865	1364821
	8.0	66.1	8.8	9.5	7.0	0.6	100.0
Population	3.2	70.2	16.4	6.3	2.4	1.4	100.0

Note : Scholars in number and percentage. Christians include Europeans/Eurasians. Others include "aborigines" and unspecified groups. Population percentages as per 1891 Census.
Source: Tabulated from the PIRs of the respective years.

menial and inferior servants like 'punkah' (fan) pullers, scavengers, and members of the police and village establishments were to be excluded (see GOs 43 Education, January 30, 1883; 3433 Revenue, June 10, 1886; and 415 Education, July 1, 1886). The statistics available from these and related returns have already been discussed in the context of Table 4.

The December 1901 Muhammadan Educational Conference of Southern India passed a resolution for recognition of Hindustani as an official language in departmental examinations on the ground that its exclusion from the list of recognised languages was operating against the Muslims who wished to enter government service. The resolution was forwarded to the governmment by the president of the Muhammadan Educational Association of Southern India (GO 645 Education, October 17, 1902).

A 1907 address to the viceroy by the Anjuman-i-Mufid-i-Ahla-i-Islam, the Muhammadan Educational Association of Southern India, and the Madras presidency Muslim League started in 1908 as the provincial branch of the All-India Muslim League founded in 1906 [McPherson 1969: 387; also GO 977 Education, October 25, 1913], represented that one of the questions in which Muslims like other Indian communities felt keenly interested concerned their position in government service. Stating that the status of the Muslims was by no means such as to satisfy their legitimate expectations, it pointed out that there were several properly qualified young men who could not find suitable openings (GO 263 Public, April 3, 1907).

Prompted by this address the Madras government considered from various angles the measures taken since 1872 for Muslim advancement. Finding that Muslims held 14.1 per cent of all the posts in superior service in 1907-08, it observed that they could not complain of not having a fair share of such posts. However, since superior service included a large number of ill- paid posts, the statistics also showed that they had considerably less than their proportionate share of higher appointments: The percentages of appointments held by them on yearly salaries of Rs 250-500, Rs 500-1,000, Rs 1,000-2,500, Rs 2,500-5,000, and Rs 5,000 and above were 4.7, 4.3, 5.4, 4.1, and 1.2 respectively. To bring out this inadequacy more clearly the government argued that out of a 100 posts arithmetically due to them they held only 73 on salaries of Rs 250-500, 67 on Rs 500-1,000, 84 on Rs 1,000- 2,500, 63 on Rs 2,500-5,000, and 18 on Rs 5,000 and above. However, it also noted that this arithmetical inadequacy was not for want of official favour, and showed that the figures available of those qualified and those holding appointments as deputy collectors, tahsildars and deputy tahsildars pointed to the conclusion that Muslims were specially favoured (GO 263 Public, April 3, 1907).

In petitions and representations in the context of the Morley-Minto reforms, the Madras presidency Muslim League insisted on conferring on Muslims the right to choose their own representatives in the provincial council through election instead of nomination, and for Muslim representation on the imperial council. The government conceded to these demands (see Public GOs 379 of June 2, and 565 of August 6, 1909; 1-2 of January 3, and 78-79 of January 26, 1910).

The December 1910 All-India Muhammadan Anglo-Oriental Educational Conference held at Nagpur forwarded a copy to the Madras government of its resolution for fixing a suitable number of Muslim students in all classes of schools and colleges. As there were then no cases of rejection of Muslim students, the government did not find it necessary to fix their number. However, when the Muhammadan Educational Association of Southern India forwarded a similar resolution in September 1916, the government considered it impracticable. Its reasoning was that even if the colleges were induced to set apart a few seats for Muslims, Muslim students may not always avail themselves of such seats, in which case students of other communities who would have otherwise been admitted would be inconvenienced (see Educational GOs 397 of June 21, 1911, and 329 of March 10, 1917). Buttressing the British policies towards brahmins and Muslims were the pressures from non-brahmin Hindus.

III

Non-Brahmin Pressures and British Response

In fact, from almost the beginning of British rule non-brahmin Hindus were protesting against brahmin dominance. An 1840 petition by 32 Panchalar[17] from Salem blamed the East India Company for succumbing to the wiliness of brahmins by, among other things, conferring on them all the responsible public offices, and prayed for employment of all classes of men alike without distinction [Bower 1851: 91-95]. Similar petitions of the subsequent years, though sporadic to begin with, gathered momentum towards the close of the 19th century.

One group persistent in its demands prior to the non-brahmin movement was the Oriyas (also Uriyas). An 1891 memorial by K Adinarayan, K Ramamurti, and 127 other "principal members" of the Vizagpatam district Oriya Samaj stated that the absence of their "class" in the several offices even to give information of any vacancies, and the presence of all the head ministerial officers from a different sect having no "patriotism" towards them, made it difficult for them to get government employment. It also stated that government orders on distribution of appointments equally among all classes were not adhered to; and that due to the "unemployed... and beggarly condition" of the few matriculates among the Oriyas with no hope of finding employment, parents were persuading their children to discontinue their education. Citing the patronage offered to Muslims they sought preference in government employment particularly in the Ganjam-Vizagpatam districts and the agency tracts.

Responding to the memorial, the government furnished a list of qualified Oriyas (14 names submitted by the DPI) to the collectors, district judges and some other officials, for consideration when filling up vacancies; and informed the memorialists accordingly (GO 521 Education, July 9, 1891).

Referring to a GO of October 1906 for preferring better candidates to certain qualified Oriyas, in a letter of the same month the Ganjam district Oriya Samaj pleaded that though the British policy was to distribute its patronage among the different "races" of India, as a result of this GO "the advanced races may always carry the day and a backward race like the Uriyas must go to the wall", and that the required qualifications for public service being equal, such a system is "calculated to unduly handicap the progress of the backward races and give an undue advantage to the advanced races". It suggested nomination of Oriyas for fair representation in the administration of the district. The government expressed its inability to do so on the ground that it would disregard the prescribed qualifications for appointments in superior service (GO 217 Judicial, January 31, 1907).

Persisting with its claim, in May 1907 the Samaj pointed out that government orders for giving preference to Oriyas in the Oriya speaking tracts were always overlooked, and requested for reservation of a certain proportion of the magisterial and other high appointments in the district "as a means of preventing monopoly of loaves and fishes of the state by the advanced races". While rejecting the request, the government stated that steps will be taken to employ educated Oriyas as far as possible, and conveyed the same to the agent to the governor in the Ganjam district (GO 1161 Judicial, June 27, 1907).

In a similar address in 1913 the Samaj pointed out that Oriyas were not being appointed to higher posts in the provincial civil service and special services such as of deputy collector, munsiff, and deputy superintendent/circle inspector of police, and reiterated its demand for nomination of some qualified Oriyas to these posts. Stating that of the nine new names for deputy collectors eight were brahmins, in a note on the address A G Cardew, revenue secretary, asked the BOR to submit some additional names, all of non-brahmins, and advised it to have one-third of its fresh recommendations each year from non-brahmins. The government's reply to the Samaj was that it was ready to do all in its power to encourage Oriyas in public service when possible to do so (GO 22 Public, January 5, 1914).

A brief look at some of the other petitions and memorials of this period should give a better idea of the non-brahmin perception of themselves, of brahmins, brahmin dominance, and the British administration:

An 1896 petition by T Tiruvengata Mudaliar and 14 others, on their own behalf and purportedly also on behalf of the "dumb masses" of Anantapur district, deplored that the composition of the personnel of the district was against the letter and spirit of the "wholesome" BSO which was often violated with impunity. It also stated that the pernicious control of virtually all the public offices in the district by a "family coach" under the guidance of huzur sheristadar Seshagiri Rao was a crying evil, disastrous to public interest and dispiriting to the people, and that collectors as a class did not trouble themselves to look below the surface and appointed officials on the advice and information given by the sheristadar. It urged the governor to remedy the evil by, as a first step, transferring the sheristadar to some other district. Acting on this petition, the BOR asked the collector to furnish a list of the relations of the sheristadar (GO 4282 Revenue (Confidential), October 30, 1896).

While on this petition it may be relevant to note the following statement of the education commission drawing upon its Madras report:

> [T]he children of peasants (read non-brahmin Hindus) have no special provision made for their education in middle schools, and take no advantage of these institutions. The only public service examination in Madras is the middle school examination, and therefore the door to the public service is closed against the peasant proprietary [GOI 1883: 144].

This educational backwardness is clearly evident from Tables 5-7: For a population of 86.6 per cent, non-brahmin Hindus (including paraiyas and kindred classes alias panchamas or the present scheduled castes who had not then emerged as a separate category) accounted for only 23.5 per cent of the total matriculates, and 19.8 per cent of the total arts and professional graduates from 1858-61 to 1916, and 20.4 per cent and 40.2 per cent of the total students in 1916 under higher and secondary education respectively. Even in primary education their representation (74.9 per cent) was below their population percentage.

The education commission had observed in the context of this backwardness that "[t]he most efficacious of all encouragements to the spread of education is that supplied by the bestowal of public appointments upon educated candidates", and that "[u]nfortunately no lever for raising education is less systematically applied". This observation is also borne out by the statistics collected by the government in 1872, 1881, and 1886, in the context of Muslim employment. The representation of non-brahmin Hindus was only about 32 per cent in 1881, and had increased only by 4 per cent since the preceding decade. Though by 1886 it had increased considerably, it was mostly in posts on salaries of Rs 10 or less: In 1886 non-brahmin Hindus were 68.2 per cent of the total officials on salaries of Rs 10 or less, and 33 per cent on salaries exceeding Rs 10 (Table 4). Reviewing the statistics in 1887 the BOR noted that in the disproportionate distribution of employment non-brahmin Hindus were the worst sufferers:

> These have suffered from no scholastic disadvantages in having to learn through the medium of a foreign language, and their disparity to brahmins must be attributed in part to their not having yet overtaken the great lead which centuries of past education has naturally given to the brahmin, and in part to their largely embracing the agricultural classes, which will never enter the competition to any great extent.

Accordingly, it drew the attention of the collectors to the proportion of offices which on a representative basis should be held by each class, mentioning at the same time that representative proportion cannot be rigidly imposed at once without injury to offices, and can only be approached to in the course of years (GO 1296 Revenue, March 1, 1887).

An 1897 memorial by the Viswakulotharana Association, Madras,[18] submitting to the governor its "Kammala Condition Amelioration Bill" made the following observations:

Kammalas constitute not less than one-tenth of the total presidency population, but have no seat in the legislative council. "[T]o accord to them one is to secure them an agency to watch their interests; develop them in different directions, and establish a good loyal power out of the forces within the race". The exclusion of the country's vernaculars from the work of administration has affected the progress of all classes of the people. As even the commonest nail is imported, the Kammalas who were the suppliers of all the local wants are placed in acute poverty. They are most deplorably backward in education, and require stipends as a necessary incentive for education until they receive a due share of public appointments; and special schools like the ones for Muslims and pariahs. High educational qualifications though not needed for ordinary office routine are yet demanded universally; examination rules prescribing such qualifications, the age bar, and prohibitive school and college fees deter the disabled classes from competing with the predominant class, and are a patent obstruction to the free growth of all the interests concerned. Inability of the few qualified Kammalas to obtain decent situations in public service has nipped in the bud the hope of the community's future in a matter of vital consequence to its rise. Each class has its "sacred right" to a share in public service. In the Accountant General's office out of every 14 candidates selected ten are brahmins, and nepotism and intrigue are in full play.

Its most eloquent expression was its resentment against brahmin preponderance:

> One class, by undue preponderance in the public service absorbs the vast resources coming from the sweat of all classes and set apart for that service; this places it in a position to educate itself, and it again absorbs such other resources of the country, set apart for public instruction. Public monies are thus doubly locked up and, for want of legitimate use, fail to exert their regenerating influences on all the contributing classes (GOs 970-71 Public, July 20, 1897).

In 1902 the Acharis (Kammalar) of Tinnevelly district pointed out that public service was fully and skilfully shut out to them through the particular and peculiar revenging spite of the brahmins, and that surrounded by them the British officials were being entirely misled (GO 112 Education, March 11, 1903).

A 1910 memorial of the "leading representatives" of the Lingayat community and of the all-India fifth Lingayat conference held at Bellary in December 1909, submitted to the government by M Basava Iya, High Court vakil, Bellary, observed with "extreme regret" the specially backward condition of the lingayats in English education and

representation in public service. The memorial requested the government to encourage and improve their education, offer concessions, and appoint them in responsible positions in the revenue, judicial, and other branches of public service. As a climb-down, against its earlier request for three seats in the Madras legislative council which the government had turned down, the memorial requested for one seat.

The public department termed as misnomer the lingayats' claim as a "depressed class", inasmuch as in the pamphlet attached to the memorial they had claimed themselves as superior to brahmins, and their religion as an improvement on the Vedas. Its reply to the memorialists was that government was not prepared to show special favour to members of any particular sect in public service disregarding their fitness, and to reconsider its earlier decision against lingayats' separate representation in the legislative council (GO 660 Public, July 28, 1910).

One group which has not figured in the discussion of non-brahmin Hindus is the "depressed classes", comprising mostly the panchamas and partly the "hill tribes". Even as late as 1916, for a population of about 16.4 per cent their representation was virtually nil in higher education, only less than 1 per cent in secondary education, and about 8.8 per cent in primary education (Table 7). With such educational backwardness they could not have had any significant representation in public service either. Nor could they have made any serious claim for such representation as they were ill- equipped to fill important government posts. That probably explains the absence of any mention of them in the statistics on government employment.

Meanwhile, most of the petitions for inclusion in the backward classes list for educational concessions, especially after the introduction of half-fee concession in 1892 had also urged for representation in public service. More often than not, the education department considered them favourably for inclusion in the list [Radhakrishnan 1990: 512-13]. Their claims for representation in public service were, however, overlooked. This could have been because either the petitions were not directly for such representation, or the petitioners were not articulate enough as pressure groups. However, this situation began to change since 1917 when a vocal and well organised pressure group appeared on the scene. An understanding of this change anticipates a close look at the non-brahmin movement which is beyond the scope of this paper.

IV
Conclusion

Though communal representation and reservations are often identified with the non-brahmin movement and the Indian Constitution respectively, the evolution of the non-brahmin movement itself was preceded by certain intricate and elaborate processes of over half a century. These processes had direct bearing on communal representation and reservations at the ideational and pragmatic levels as functional imperatives of the colonial administration.

The imperatives were both tactical and moral. On the tactical side were considerations of the stability and legitimacy of the British administration, as evident from its attempts to draw on its side first the "influential class", and later the "alienated class"; its apprehension of corruption, nepotism, favouritism, administrative inefficiency, and the undermining of British authority by the administrative dominance of the "influential class", and belated attempts to prevent such dominance; and its fear of the poor representation of the "alienated class" as injurious to the most vital interests of the empire. On the moral side was a seemingly abiding concern for rendering justice to the disprivileged sections of the society through attempts at communal representation and reservations on the ground that they could not compete on equal terms with the "influential class", and the related dilemma to strike a balance between equity and efficiency.

As the imperatives were often incompatible with each other, they resulted in contradictions. Examples are the failures of the administration to ensure its professed neutrality principle because of its exclusion of the lower castes for fear of alienating the "influential class"; to honour its policy of absolute impartiality because of its special treatment of "the alienated class" for fear of its disaffection; and to stick to its repeated assertions against communal representation and reservations because of their *ad hoc* introduction as part of its patronage politics.

The long interface of this period between the colonial administration and the local society created in the non-brahmin segments an increasing awareness of the close nexus between English education and government employment, their own disprivileged position in both compared to the brahmins, and the role of British administration as a great dispenser of patronage. The recurrent themes in such interface were inferior versus superior races, backward versus forward races, administrative stability, and distribution of government patronage. Each group was concerned with its own claims and reference to others was not for any concern for overall social justice or equality, but for only justifying its own claims. There was also no composite category of non-brahmins as used in the context of the subsequent non-brahmin movement.

While all groups were eager to have a share of the government patronage, only one group was equipped itself for doing so through competition by mastering English though this language was as alien to it as to all others. Other groups merely sought protection. This was especially so in the case of Kammalar, who for several centuries maintained a struggle for a higher place in the social scale than allotted to them by the brahminical authority [Maclean 1989. 229], though unlike the brahmins they hardly made any effort for competition for the material and socio-cultural benefits under successive rulers.

To conclude, central to the discourse on communal representation and reservation of this period, the related administrative processes, and the non-brahmin response to them were the statistics collected from time to time. These made the non-brahmins and the British officials increasingly aware of the structural cleavages in south Indian society of brahmin versus non-brahmins, Hindus versus Muslims, and so on. Such awareness in turn sharpened these cleavages, pitted the non-brahmins against the brahmins, and gradually paved the way for the non-brahmin movement.

Abbreviations

BOR = Board of Revenue
PRB = Board of Revenue Proceedings
BSO = Board of Revenue's Standing Order
DPI = Director of Public Instruction
GO = Government Order
GOI = Government of India
GOM = Government of Madras
GOMa = Government of Maharashtra
MPAR = Madras Presidency Administration Report
PIR = Public Instruction Report

Notes

[Unless specified otherwise the GOs and other proceedings cited are of the GOM, consulted at the Tamil Nadu archives. This paper is part of a larger study of backward classes and reservations. The author is grateful to Malcolm S Adiseshiah and S Neelakantan for their comments on its draft.]

1 Krishna's contention that the origins of communal representation "are to be sought

in the growth and strength of the Indian National Congress and the need for a policy of counterpoise by the government against the Congress" [Krishna 1939:37] is true only for representation in politics and not in public service, the main concern of this paper.

2 The oft-quoted episodes of such closures are from *Ramayana* about Rama beheading Shambuk for his 'tapasya' (penance), an austerity prohibited to shudras; and from *Mahabharata* about Drona mutilating Ekalavya's thumb for learning archery even after he declined to teach him owing to his 'low birth'.

3 In this connection it is relevant to note that admission of 'untouchable' students in 1851 to the Madras High School (of the Madras University) established in 1841 was strongly condemned by the caste-Hindus, with some withdrawing their wards, and one Hindu member resigning from the University Board [see Suntharalingam 1980: 58-61].

4 O'hanlon has observed that in 1851 "when the Board of Education, after much heart-searching, had decided that it could not admit mahar boys to government schools", *Dnyanodaya*, then the most important missionary periodical of western India, "protested bitterly against this deference to a set of social rules that took no account of individual qualities", and that this case was the subject of a long correspondence of the Bombay government [O'hanlon 1985: 72, also 66, 70].

5 Suntharalingam has explained this monopoly by their recruitment into the revenue administration since the 16th century when the deccani incursions into the Tamil and Telugu regions gathered momentum; and the eagerness of early British officials to use their expertise in creating the district administrative framework [Suntharalingam 1980: 19-20].

6 Going by the 1901 Census, of the 11,98,914 brahmins in Madras presidency mahratta brahmins along with konkani and tulu brahmins (all classified under 'Others') were 8.8 per cent of the brahmins, whereas the percentages of Tamil, Telugu, Oriya, Canarese, and Malayalam brahmins were 34.7, 36.4, 10.7, 7.8 and 1.6 respectively [Government of Madras 1902, XVA(2): 156].

7 Exceptions were nambutiri brahmins of Malabar, and Vydiki brahmins of northern circars, who for a long time spurned English education [see Suntharalingam 1980: 113].

8 Dash in the tables throughout the paper indicates nil.

9 This college was then only a feeder to public service, with admissions to it regulated by government's need for engineers.

10 In theory, the requirement for this service was a pass in matriculation or upper secondary examination in first class, and in a test in hand-writing and dictation. In practice, some of the higher appointments were restricted to persons of higher educational attainments. Thus, only those who had passed the first arts were admitted to the criminal judicial tests prescribed for the appointments of tahsildars or inspectors of police; and non-graduates could not ordinarily become deputy collectors, as only graduates could appear for the higher grades revenue test (see PIR 1886-87; MPAR 1901-02).

11 Figures for 1872-81 were mostly for posts on salaries of Rs 11 and more, whereas those for 1886 covered virtually all the posts on salaries of Rs 10 and less. The formation of Anantapur district and the large additions since 1881 to the establishments of the Salt Commissioner, the Forest Conservator, etc, also added to the 1886 figures (see GO 1296 Revenue, March 1, 1887).

12 Figures are for Bachelor of Arts, Law, Medicine/Surgery, and Civil Engineering, Master of Arts, and Law; Doctor of Medicine, and Law; and Licentiate in Medicine/Surgery, Sanitary Service, and Teaching.

13 Table excludes education department's 'special schools' and institutions not recognised by it.

14 Humayun Jah Bahadur, a descendant of Tipu Sultan, born and educated in Calcutta, was settled in Madras as a wealthy notable with large landed and business interests [see Suntharalingam 1980: 251].

15 For some of these interpellations, see Public GOs 323 of March 14, 1899, 396 of April 5, 1899, 629-30 of June 9, 1899, 1401 of December 22, 1899, 1407 and 1409 of December 23, 1899.

16 Following this reaffirmation, for encouraging their entry into medical service the Madras government reserved for Muslims a certain number of stipendiary appointments in the medical apprentice grade (see GO 507 Education, August 14, 1885).

17 Panchalar or viswa brahmins are ironsmiths, carpenters, brasiers, masons, and goldsmiths, commonly called kammalar in Tamil Nadu and Kerala, kamsalas in Andhra Pradesh, and panchalas in South Kanara. [see Bower 1851: 91-95; Maclean 1989: 229; Washbrook 1975: 162-64].

18 The commissioner of police reported in August 1897 that this association held only one meeting since its inauguration in December 1894, attended by about 80 kammalas who resolved to forward to parliament a memorial signed by every goldsmith and carpenter in Madras, and to start a Tamil paper *Visvaguru* as soon as sufficient funds were forthcoming (see GO 528-29 Public, May 9, 1899).

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DIRECTOR

Future Trade and Exchange Rate Policy for India

Vijay Joshi
I M D Little

The authors propose a trade policy for India which would be much less protective than the spectrum of customs duties envisaged for 1997-98 by the Chelliah Committee. The Committee's proposals, they argue, are not only too protective (and hence biased against exports) but also much too complex.

I
Trade Policy in the Long Run

BY the long run we mean that enough time has elapsed for a restructuring of production to have occurred without serious hardship. If any protection or other subsidisation of particular activities remains, it is because there are good social reasons for special encouragement of such activities.

We assume that there are no balance of payments reasons for trade taxes. Sound macro-economic fiscal and monetary policies, together with a flexible exchange rate, ensure the maintenance of a viable overall balance with foreigners. This is further discussed in Section IV below.

We take it also to be agreed that the continued use of quantity controls over imports or exports for either balance of payments or protective reasons is ruled out. Their use in an emergency or a trade dispute is not ruled out. Nor, of course, is the prohibition or regulation of trade in certain services or commodities for reasons of defence, health, or morality, excluded.

It is useful to think of trade policy as part of public finance.[1] Indeed, given the provisos made above, trade policy boils down to the question of how trade should be taxed or subsidised. Obviously trade taxes and subsidies cannot be considered apart from other taxes and subsidies, and from the social utility of public expenditure in general. At present, Indian trade taxes amount to about 4.0 per cent of GDP, and about 50 per cent of the cif value of imports (the latter figure is easily a world record). Total consolidated government revenue is about 20 per cent of GDP. Suppose for the sake of argument concerning orders of magnitude that in the long run there will be a comprehensive VAT of 15 per cent which is also charged on all imports. Suppose also that the abolition of quotas and customs duties results in a rise in imports from the present 10 per cent of GDP to 13.3 per cent. Then the VAT on imports yields 2 per cent of GDP (13.3 per cent x 15/100), implying a switch of tax on imports to other taxes of about 2 per cent of GDP. There is no doubt that such a switch is feasible. There is plenty of room in India for broadening the base of indirect domestic taxation (preferably by a VAT which could be and should be extended to services); and also for raising direct tax revenue. Admittedly the division of responsibility for the design and collection of taxes between the centre and the states, and the division of the revenue, raises serious political problems. Nevertheless, it can be concluded that *in the long run*, there is no general *revenue* reason for trade intervention, that is for higher taxes on imports or exports of a commodity than on domestic production.[2]

This brings one to the ancient subject of protection. Protection normally involves favouring domestic sales over export sales.[3] The standard reason for this is improving the terms of trade (since we have already ruled out any revenue reason). It is assumed that there is nothing to be gained on the *import* side (India is too small a part of the world market for any commodity, for one to presume otherwise). There could be a reason for a few specific export taxes (but probably only if this was co-ordinated with other countries). The only further terms of trade reason for any protective tariff would be to allow for some generalised inelasticity of foreign demand: note that if this is the reason agriculture should be as much protected as industry, and that all sectors of industry should be equally protected.[4]

But what about the various asserted reasons for protection of manufacturing on grounds of external economies, or factor price distortions? No one in the past 30 years has seriously undermined the finding of J Bhagwati and V K Ramaswami that domestic taxes and subsidies, not trade taxes, are the optimal way of correcting domestic distortions.[5] Yet many may feel that there is still a fiscal problem in implementing an optimum system of subsidies and taxes. However, if a subsidy to an industry is justified by some distortion, then it surely cannot be optimal that domestic consumers of the product should pay the whole cost of the subsidy (the tariff method) rather than general taxation including taxes on other polluting industries; or a reduction in other expenditure. But a low tariff combined with both production and export subsidies might perhaps be justified. The tariff revenue would pay a small part of the subsidisation, with general taxation and a reduction in other government expenditure paying for the rest.

In Little (ibid) the extreme case was analysed in which, apart from imports, manufacturing was the *only* source of taxation, while its product also gave rise to positive externalities. Ignoring the externalities there should be an optimal and equal rate of taxation of both production and imports (e g, a VAT with exports exempt). Introducing the externalities would result in both a tariff and a reduction in the VAT[6] ('relative' subsidisation) and a subsidy on exports. Revenue and other government expenditure would fall. It was concluded that "this seems to be the atom of truth left in the protection argument". It was thought to be an atom because the general beneficial externalities of industry were doubted, because taxes on manufacturing are not the only source of revenue, and because other expenditures should not be sacrosanct.

At this point in the argument it should be noticed that some protection is accorded by a VAT: that is, all industrial and service enterprises too small to be economically VATable are protected both from imports and from larger enterprises. If, supposing that *all* imports would pay VAT, as suggested, unprocessed domestic agricultural products (except maybe the output of large plantations and timber estates) were VAT exempt, that would result in some effective protection for them too.

We leave it as an open question whether there should be a low protective customs duty on top of VAT. If it was at all significant, it would be desirable to retain the apparatus of designating certain units as exporters that could import free of customs duty. Otherwise a major and desirable industry such as diamond processing might go under to competition from some other developing country. If the customs duty was as low as say 5 per cent, this tiresome administrative com-

plication of exemptions might, however, be dispensed with.

We still have not addressed the question of the desirability of an active governmental industrial policy, and whether protection of the domestic market is a necessary part of such a policy. There is a running debate on this issue, especially in relation to the amazing industrial revolution that has occurred in the past 30 years in South Korea and Taiwan.[7] We do not have the space or time to comment in depth on this issue, which is currently being examined by the World Bank. (But one of us has visited a good many firms and talked with planners in both South Korea and Taiwan.) We believe that government was very important in creating the 'export oriented' economy in which exporters operated under virtual free trade conditions, and had the assurance that government would see to it that there were many profitable export opportunities by maintaining a competitive exchange rate (or, when it threatened to become over-valued, providing compensating incentives), and in general both bullying industrial leaders to export and honouring them for it.

But we do not believe that the 'heavy' industries that government (in particular President Park) especially promoted from around 1973 played a leading role in Korea's success. Korea had already experienced a decade of astonishing growth, manifestly based on exports of clothing and other textile products, footwear and hats, cutlery and tools, and light electrical equipment and instruments.

The believers in active industrial policies most often mention Hyundai's shipbuilding and cars, petrochemicals, and steel: and they talk of *creating* comparative advantage. Steel is now internationally competitive in Korea, but the main steel company (Posco, the only important state enterprise in the industries mentioned) has had low financial returns throughout its 20-year life despite heavy subsidisation of its non-traded inputs, including the real interest rate which has been negative throughout most of its life. It has also received protection (the import tariff on steel was 25 per cent until recently). But subsidisation has been more important than protection, since some three quarters of its output has been either exported or sold at world prices to downstream users, principally shipbuilders and motor car producers.[8] Shipbuilding likewise has achieved international competitiveness, though at least until very recently it enjoyed a subsidised interest rate, and probably still does. One of us visited Hyundai's shipbuilding and heavy machinery works at Ulsan three years ago, and was amazed at their technological progress. However, huge investment errors had been made, and a top manager disclaimed economic success.[9] Nor has any Korean economist that we know of claimed that Hyundai's cars, the Pony and the Excel, whose export sales have been subsidised, have contributed much to Korea's economic success. As for the petrochemical industry, it remains very high cost, and exists only as a result of heavy protection.

Of course, Korea was well advised to 'trade up' in terms of skill and capital intensity as she reached full employment and as savings rapidly rose as a proportion of GDP. It could be and was argued that without government targeting, she would not have made this transition.[10] Counterfactuals are irrefutable. But it should be noticed that Taiwan has progressed from early success with labour-intensive manufactures with much less industrial targeting than Korean, while Hong Kong has none. However, it is certainly true that the investment inspired by Korean government in the 1970s, even if not socially very profitable, was not the disaster that it was in many developing countries in Africa and Latin America.[11]

India's situation is very different from Korea's in the early 1970s. Korea then had very little heavy industry. India now has long experience in all branches of heavy industry. Korea was governed by a powerful single-minded autocrat who had no difficulty in imposing his policies. India is a federal democracy, with a bureaucracy that has shown no aptitude for masterminding an efficient industrialisation.

If nevertheless the Indian government decides that it should try to promote particular industries, we would finally plead with it to do this by subsidisation which does not discriminate against exports rather than protection. Although Korea certainly protected the home market, subsidisation was often more important than protection; certainly, for example, in the case of steel and shipbuilding. Subsidies, however, need to be continuously reviewed and justified to ensure that they do not get out of hand, like the fertiliser subsidies. They should, as far as possible, relate to specific externalities, for example training and the acquisition of technical and scientific skills in the case of relatively high technology industries.

A form of protection of the home market not so far mentioned is the use of export prohibitions or taxes, to drive down the domestic price of inputs below the world price for the benefit of manufacturers using those inputs. Hides and skins may be the prime example. In a muddled way such restrictions are sometimes supported as increasing domestic value added. All such restrictions should go. If manufacturers do not pay the full value to the economy of their inputs, their value added is a mirage from a social point of view.

We are now in a position to sum up our proposed design for long run trade policy. As already emphasised this can only be stated in the context of indirect taxation in general:

(1) There should be to permanent trade restrictions, except for reasons of safety, health or morality.

(2) A uniform VAT should apply to everything including all imports, excluding only the following:
   (i) all unprocessed agricultural products, except those of plantations and estates; and
   (ii) all productive enterprises with a turnover less than some limit to be determined; these exceptions would be VAT exempt (rather than zero rated).

(3) There should also be high excise taxation of the normal 'demerit' items—alcohol, tobacco, gasoline, and such others as may be easily enough taxable while also claiming attention on grounds of health, external diseconomies, or that they are consumed only by the wealthy. Such excises would, of course, be matched by countervailing duties on imports.

(4) The above implies some effective protection only for agriculture and small-scale activities of the order of, say, 15 per cent. The question remains of whether there should be some further protection either of manufacturing or agriculture, or both. Since the logic of such further indiscriminate protection is to allow for some general slight negative elasticity of world prices with respect to Indian trade, it should apply to neither or both. We suggest a general duty of no more than 10 per cent on all imports. If it was as low as 5 per cent, it might be all right to dispense with all import tax exemption for exporters, which would be a considerable administrative advantage.

(5) Any special promotion of particular industries should be by subsidy. Protection of the domestic market by tariff should not be necessary for this purpose.

II

A Comparison of Our Suggestions with Those of the Chelliah Committee[12]

The Chelliah Committee presents a tariff profile to be achieved by 1997-98. This is not necessarily a final target. In the Final Report, Part II (para 12.8) it is recognised that some of the suggested

rates are high relative to other developing and developed countries, but it is argued that lower rates in the medium term would be inadvisable. "The situation can be revised during the next decade." We feel, however, that a final design should be suggested and welcomed by the government. Industrialists need to plan for many years ahead, far longer than the 3-4 year horizon of the Chelliah Committee.

The committee suggests customs duty rates of 5, 10, 15, 20, 25 and 30 per cent, with 50 per cent to be applied to consumer goods as and when they are delicensed. We assume that countervailing duties equal to the rate of excise or VAT imposed on domestic production would be on top of such customs duties so that the above rates compare with our suggested simple rate of say 5 per cent on all imports.

Our long run design and that of the medium term Chelliah plan differ greatly. First consider the average height. In advising high protection (and the implicit rates of effective protection proposed are very high, not only in relation to those suggested by general reasoning, but also in relation to most developing countries now, and in relation to the historical levels that once prevailed in the now 'industrialised' countries), the Chelliah Committee refers to such 'inherent disadvantages' suffered by Indian industry as "general inefficiencies in the economy such as higher interest costs, power cuts, lack of efficient infrastructure and cascading types of State and local taxes".

These are strange reasons for advocating protection, especially in the long run. Apart from higher interest costs which may be no distortion (even if true!), these inefficiencies are domestic distortion that should be dealt with by domestic reform.[13] But even in the interval during which they persist, there is no reason for favouring domestic sales over export sales which the Chelliah tariff certainly does, despite the advocated retention of 'advance licensing'.

Despite its stated belief in moderation and simplicity the Chelliah Committee still advocates seven rates of nominal customs duty. This is surely too complex for the long run and invites wasteful rent-seeking activities. Industry cannot be reliably divided into seven groups distinguished by their varying net external benefits, thus meriting seven different degrees of encouragement. Externalities are not in fact mentioned by the Chelliah Committee as reasons for protection. The disadvantages that *are* mentioned as reasons certainly do not impinge upon different industries so differently as to justify a range of effective protection from 5 per cent to 100 per cent or more. (The 50 per cent nominal protection for consumer goods might well amount to effective protection of 100 per cent, or more in some cases.)

Part of the reason for suggesting so many rates seems to have been acceptance of the principle that higher stages of manufacturing should have higher rates of nominal protection than lower stages. But this is a totally unprincipled principle, for it has no foundation in economic principles. It is, of course, a fallacy that a higher stage of production must have higher nominal protection than a lower stage in order to achieve the same level of effective protection. Identical nominal protection yields identical effective protection at all stages.

It is, however, almost universal that higher stages of production get higher protection. It is easy to see how this comes about. The belief in industrialisation as the road to riches, and in protection as the obvious stimulus to industrialisation, implies that manufactures should be protected, but not the hewers of wood and drawers of water who supply materials (and anyway materials were often mainly imported). It follows quite naturally that the more processed is a good, the better it is to make it (and the 'higher' the technology the better!). Now only that, but the makers of intermediates face the countervailing power of the makers of final goods, while the consumers of the latter are mostly unorganised and impotent. The fact that almost every country has institutionalised the fallacy in all this, is not a good reason for following the herd. The main argument given by the Chelliah Committee for not endorsing a single low rate of customs duty is that only Chile has done so (with much success in recent years).

There are certainly good reasons for having several rates of duty in an interim period of adjustment. It is clear that the Chelliah Committee to some extent calculated in the manner of old-fashioned tariff commissions which enquired into domestic and cif costs, and tried to find a rate of duty which would bridge the gap to the extent of permitting at least the more efficient domestic units, or a 'representative firm', to make a normal profit. These tariff commissions did not dream of any need for radical adjustment or restructuring. This approach is indeed necessary for the adjustment period: industries must be effectively protected to the degree required to avoid any drastic loss of output or employment, but not over protected. Multiple rates and changes in the assignment of industries to particular bands in the tariff spectrum may also be necessary in the reform period to see that desired rates of effective protection for one industry can be maintained when changes (reductions) are made in supplying industries. But it is an approach which in the long run denies the validity of all the work of the past 30 years on optimising the benefits to be derived from trade.

The Chelliah Committee recognised in principle the advantages of simplicity. Seven rates of duty with a large reduction in exemptions is a great simplification compared with the present amazing complexity. But it still leaves plenty of room for lobbying and corruption to determine which rate should be applied to particular industries and products—to no purpose except perhaps to benefit the customs administration itself. Much further simplification is appropriate for the final design.

Before leaving the long run or final objective pattern of customs duties, we should say something more about consumer goods. First, it should be recognised that there will be no balance of payments reason for excluding them (and allowing their production in India often at high cost and with little saving in foreign exchange). Given the exchange rate regime that we are assuming there can be no enduring or chronic shortage of foreign exchange (for that implies an overvalued real exchange rate). What other reasons can there be? In general none. Why should India be self-sufficient in consumer goods, rather than anything else? Or, indeed, self-sufficient in anything? The reason why consumer goods should *not* be banned are strong (quite apart from the ethical argument that consumers' choice should not be restricted except for some very good reason). The guarantee of a home market, often with very limited internal competition, has proved to be a recipe for high cost production and lack of innovation. Permitting import competition encourages that absorption of international standards of design and quality, which is essential for thriving exports. It is a tragedy that India was by-passed in the massive supply of consumer goods from developing countries to world markets.

III
The Transition

Some progress has been made. In the 1980s there was some liberalisation of quota restrictions on intermediate and capital goods. This was combined with tariff increases to increase revenue. Serious reform began in July 1991. The crisis was such that the emergency import controls already in force had to be continued, but notice was given that they would be removed as soon as possible. The max-

imum import duty was reduced from 300 per cent to 150 per cent, and duties on capital goods were slightly reduced. The rupee was devalued by 22 per cent and export subsidies were removed.

The reforms were deepened in February and April 1992. The emergency import controls had already been abolished. Import licensing and quotas were now eliminated for most capital goods and raw materials. A single negative list remained consisting mainly of consumer goods. There was some reduction in the list of canalised imports. The maximum tariff came down from 150 per cent to 110 per cent, and tariffs on most capital goods were reduced from 80 per cent to 55 per cent, and to 25 per cent for capital goods used by exporters. Some export restrictions were removed. In the budget of February 1993, tariffs on project imports and capital goods were reduced from 55 per cent to 35 per cent, and there were various other reductions for materials and components. There was some further pruning of export restrictions (but the main ones still remain). The Chelliah Committee Report received the imprimatur of the government.

The Chelliah Committee envisaged that their proposed reforms could be completed by 1996-97 or 1997-98 at the latest. The average tariff rate (excluding countervailing duties) would be reduced to about 25 per cent from about 50 per cent, probably leaving it still higher than any other country, except may be Myanmar. It seems that the committee considered that in view of the fall in the real exchange rate, these falls in protection could occur without pain. No extensive restructuring of organised industry would be required; although there might be some pressure towards cost reduction it could be handled without many shut-downs or major lay-offs of workers. Furthermore, no very serious fiscal problem was apparently envisaged. The halving of the average rate of duty would result in a much lesser fall in customs revenue, as the value of imports rose and the composition changed. There might even be no fall though this was not expected. It seems that these tariff changes were not considered to be dependent on the institution of the fairly comprehensive VAT which the committee favoured. Desirable changes in excise taxes (and perhaps state sales taxes) and direct taxes would easily redress the balance. Similarly any disturbance of the share of the centre and states in the total tax-take would not be large. The committee did not mention any possible balance of payments problem.

We agree that trade reform on the scale and with the speed envisaged by the Chelliah Committee is unlikely to present any grave economic problems. Certainly to date, the committee's own evidence shows that even after the 1993-94 import duty reduction, the tariff rate of protection will still be much higher than in 1986-87, when allowance is made for the change in the exchange rate (though, of course, import quotas were often the cutting edge of protection in the earlier period). But since we envisage a much more radical trade reform extending beyond 1997-98, with the Chelliah rates of trade taxation no more than a milestone on the way, we need to focus on the transition process more explicitly.

We take it as accepted that the reform should be gradual, allowing time for adjustment so as to avoid any serious short-term loss of production or employment. The main arguments for sudden reform are political-gradualness invites the opposition to muster its forces, and the circumstances that make reform acceptable, for example a crisis, will not last. Although we think that 'big-bang' reform must be rejected in India's circumstances, the political economy of reform must still be respected. All producers, and those who influence them, must be convinced that the reforms will succeed, and they must also be aware of what the end-product will be. Without this, bureaucrats and others will give inappropriate guidance, and producers will take inappropriate production and investment decisions, which themselves will hinder and hamper the reform and its political and economic benefits. This requires both a well defined objective and steady progress towards it. A certain momentum has to be maintained, or faith in the achievement

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of the objective will be lost. So although gradualness is the order of the day, it must not be too gradual. On economic grounds also, investment will not be appropriate unless the final regime is clear and progress is both perceptible and correctly anticipated. For example, there should be no uncertainty as to how long imports of consumer goods are to continue to be banned, or about the rate of effective protection they will be given when no longer restricted.

After the above generalities let us look a little more closely at what should govern the rate of progress. It will depend on (1) the extent of the restructuring of production—both in manufacturing and agriculture—that the full exploitation of India's comparative advantage will require, and the speed with which such restructuring can be accomplished without undue loss of output or employment; (2) on the fiscal situation; and possibly (3) on the balance of payments. Let us discuss these three potential limiting factors in turn.

Restructuring

To date, the changes in tariff protection can have required very little restructuring. As we have seen, the reduction in tariffs has mostly been less than the real devaluation of the rupee.[14] Some manufacturers for the domestic market may have felt increased competition as a result of the elimination of quotas, but not from tariff reductions. Although exports have become more profitable, which should attract resources, there thus seems to have been as yet no positive push out of the import substituting sectors. This requires tariff cuts greater than the real devaluation, an adjustment that will have to come, and would be significant if our suggestion of very low uniform protection were adopted.

Agriculture has some special features. Under our proposed system of taxes, the landed price of agricultural products would be 20 per cent above the cif price (15 per cent VAT and 5 per cent tariff), while domestic raw agricultural products would be VAT exempt. Assuming away input subsidies, agriculture would thus also have 20 per cent effective protection. In recent years the effective subsidisation (or 'taxation') of cereals has been close to zero, input subsidies roughly offsetting the fact that output prices were less than cif prices. The move to an effective import tax of 20 per cent would permit the price of cereals to rise in the same proportion. This would roughly compensate cereal farmers for the removal of input subsidies, and it therefore seems quite likely that cereal prices would indeed rise by nearly that amount. In some years cereals might be exported, and the price rise would then be still greater (some varieties, for example Basmati rice, may be a regular export).

A higher price for cereals would hurt the poor. Although partly offset by falls in the prices of edible oil and sugar, this would constitute the most serious distributional outcome of liberalisation. It would make a reform of the public distribution system, desirable in any case, essential. It is well known that a large part of the subsidisation inherent in this scheme is wasted in that it does not benefit the really poor. It would become a high priority on social and humanitarian grounds to devise a better targeted system of poverty relief (it should be noted that the expenditure saved by eliminating fertiliser subsidies could be directed to this end).

India also has a comparative advantage in cotton, whose domestic price is held down by restricting exports. Exports could be increased, and cotton farmers would multiply and benefit with a rise in both prices and quantities grown. India has a comparative disadvantage in edible oils and sugar, whose production the government has in the past greatly promoted. It is surely perverse that India should grow groundnuts and import wheat. Protection of edible oils and sugar should be reduced from around 100 per cent to our standard 20 per cent over the course of the transition period. There should be time enough to solve (or at least greatly soften) the regional and area problems that may arise.[15]

It is very difficult to generalise concerning the speed with which manufacturing and agriculture should be required to adjust. The extent of adjustment will vary greatly, as some parts of Indian industry will prove to be much more competitive than others, when the 'final' real exchange rate comes to be realised. A very high cost import competing sector may be given more time than others, if it produces final consumption goods that does not present a serious problem. Licensing may first be abandoned in favour of a relatively high tariff which is gradually reduced to our standard low rate. A slow pace of adjustment is more problematic if the sector produces capital goods or intermediates, since its relatively high tariff protection would require the retention of some tariff protection for industries using its output. This suggests that pressure should be put on such industries which would otherwise hinder the speed of adjustment elsewhere.

The general process of tariff reduction towards a uniform low rate should be to reduce all rates proportionately, until near the final rate. This is the so-called 'radial' method (adopted by Mexico, for example) as opposed to the 'concertina' method (adopted by Costa Rica, for example) by which each highest rate is reduced to the next highest, by stages. The latter puts no pressure on the relatively lowly protected until very late in the process.[16] While we have mentioned the probable need for making some exceptions to a well defined process of reduction by stages, these exceptions should be genuinely exceptional—one can imagine the political manoeuvres and administrative complications which could otherwise seriously block the whole process.

Can one sum up by specifying the desirable length of the transition period? Solely on the grounds of industrial and agricultural adjustment to, say, a uniform 5 per cent protective duty (on top of all countervailing duties), it surely has to be longer than the four years allowed by the Chelliah Committee for its milder programme. Shall we say, for the sake of argument, seven years—bringing one to the next century? But, perhaps, it is too naive to suppose that the momentum of reform can be kept up for so long.

The Fiscal Situation

Although considerable progress has been made in the past two years towards a viable fiscal deficit (the central government fiscal deficit fell from 8.4 per cent of GDP in 1990-91 to 5.3 per cent (revised estimate) in 1992-93), there is still some way to go—the central government fiscal deficit should probably be reduced to around 3 per cent of GDP which implies a small primary surplus.

The reductions in customs duty rates and the revision of other indirect taxes and subsidies, and direct taxation, should march hand in hand. Since the effects are very difficult to predict with any accuracy, the fiscal situation will have to be monitored from year to year (and possibly more frequently). But provided that the centre and the states can come to new agreements concerning the collection of revenues and their division, the fiscal problems surely need not delay the large reduction in customs duties that we envisage. No other country relies on customs duties to the extent that India has done in recent years.

The Balance of Payments

There is a danger that the current account deficit, running at about $ 7 billion or 2.5 per cent of GDP could frighten the authorities into going slow on reducing barriers to imports or even raising them again—this has been the fate of many reform movements.

But provided the fiscal deficit is further reduced, the current account deficit will

certainly improve. There may, however, still be a lag in the sufficient growth of exports, while imports boom with the recovery of the economy. There should be no letting up on the encouragement of exports (the exchange rate is considered in the next section). Special measures such as duty free imports for registered exporters should be retained until near the end of the transition period. There may be a case for further borrowing from the IMF if it is devoted directly, or indirectly via infrastructural investment, to boosting exports. Industrial reform is also very relevant. The easier it is to switch production, especially production for the domestic market to exports, the smaller will be the cost of the adjustment, and the less the reliance on foreign borrowing.

A much greater inflow of private foreign investment would be very helpful, both in the short and medium run when it would reduce reliance on borrowing, and in the longer run when it should help both to raise the level of productive investment and to facilitate the transfer of technology. Provided prices reflect social costs and benefits there is no need to fear that foreign investment may actually be harmful.

Foreign investors are no different from domestic investors in their need to have confidence in the validity and sustainability of the reform process. Prudent macro-economic policies, and steady progress on the liberalisation front, are both needed. In addition, of course, foreign investors need to be assured that they can convert their profits or asset sales when they want to.

We believe that India is now creditworthy enough to survive a short-term worsening of the current account (which may not occur), and that the balance of payments will not be an impediment to trade reforms the pace of which is governed by the need for industrial and agricultural restructuring.

IV
The Exchange Rate and Convertibility

The Exchange Rate

Little needs to be said about the exchange rate since India has already arrived at a sensible regime. The rate has been unified, and the regime is now effectively a managed float. The rupee is now freely convertible at the market rate for current account purposes.

In view especially of the need for a rapid growth in export receipts the RBI must avoid the temptation of supporting the rupee. There will always be some who argue that this must be done to counter inflation. Except in the very short run, in cases when there is a need to break inflationary expectations, a policy of trying to stop inflation by freezing the exchange rate has invariably been disastrous. Furthermore, the theory that a fixed exchange rate ensures a non-inflationary economy in the long run has little or no historical support. The world is replete with examples of inflation under a fixed rate, ending eventually with a maxi-devaluation or a new currency: and there are also examples of countries with flexible rates and low inflation.[17]

There is no need to fear that the exchange rate may fail as an instrument to maintain a viable balance of payments—provided, of course, that macro-economic policy gives it room to operate, that is, that there is no large general excess demand for domestic output. There is no doubt that foreign demand for Indian manufactures and many agricultural products is very elastic.[18] The removal of import controls will also have introduced some elasticity into the demand for imports, and the elasticity will increase when the import of consumption goods is liberalised. Remittances also are exchange rate elastic.

Convertibility

The question remains as to whether the rupee should be made fully convertible.

Capital movements contributed to disaster in several developing countries in the late 1970s and early 1980s. It is arguable that they never would have occurred if there had not also been foolish macro-economic policies. Thus, for example, capital poured into Chile when interest rates were high and the government guaranteed the exchange rate while inflation continued. When people naturally stopped believing the government, it poured out.

But even with sound macro-economic policies, a serious risk can arise as a result of a weak financial system and inexperienced managers. If (as also happened in Chile) the banking system has a portfolio of dubious non-performing assets, it may be tempted to borrow abroad and pour good money after bad. (Foreign lenders can also be very foolish, as the late 1970s and early 1980s showed.) To prevent a financial collapse, the government may then have to nationalise the debt, as also happened. Until the banking system in India has been strengthened, we think that control should be retained over the acquisition of foreign assets and liabilities by residents. This is consistent with giving non-resident Indians and foreigners guarantees of convertibility at the market rate when they buy assets in India.

V
Summary

We first consider long-run trade policy, by which we mean the policy that should prevail when enough time has elapsed for the required restructuring of production to have taken place without intolerable economic or political disturbance.

There should be no quantitative import or export barriers except on grounds of safety, health, or morality. There will be no good reason for trade taxes on revenue grounds. It is proposed that there should be a low uniform (5-10 per cent) protective tariff on all imports. Excise taxation of domestic production would be extended to imports via countervailing duties: if a VAT were used, it would apply to all imports, even raw agricultural products although their domestic production would be exempt (all very small-scale production would necessarily be VAT exempt).

We do not advocate industrial targeting;

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but if done it should be by subsidy and not by protection of the domestic market.

The proposed trade policy would be much less protectionist than the spectrum of customs duties envisaged for 1997-98 by the Chelliah Committee. We argue that the committee's proposals are, for the long run, not only too protective (and hence biased against exports) but also much too complex. We see no good reason for seven rates of duty, and advocate a single rate. We believe that the Chelliah set-up should be regarded as no more than a staging post on the way to more neutral taxation of production and imports.

We suggest that seven years would be long enough for the extensive restructuring implied by our proposed changes to occur without hardship. The severest distributional effect might come from a relative rise in cereal prices. The effect of this on the poor should be offset, or more than offset, by a reform of the public distribution system (or its replacement by a better targeted system).

Neither the fiscal situation nor the balance of payments need inhibit the proposed process of reform. The fiscal deficit needs to be further reduced. Indeed, it is essential for the credibility of the reform process that it whould be reduced. Falls in customs duty revenue must be more than compensated by increases in other tax revenue or reductions in subsidies: but this is perfectly feasible, the main problem being centre/state relations.

We are confident that a viable current account will result from sound fiscal policies and a flexible exchange rate. But the possibility of a worsening in the next year or two has to be contemplated. For this reason it is important to retain at least all the existing export incentives. Although we think that India is now creditworthy enough for the momentum of trade reform to be maintained, a surge in foreign direct investment would be helpful in reducing the need to borrow (apart from longer-run benefits). In this connection further institutional reforms may be in order. But most important for all investors, domestic and foreign, is the credibility of the movement to a liberal system: which in turn requires the momentum to be sustained.

Little needs to be said about convertibility and the exchange rate regime. The rupee is now convertible for current transactions, and the exchange rate regime is a managed float. We advise only that the Reserve Bank should not support the rupee in the name of reducing inflation. As for further convertibility, we think that controls over outward capital movements and foreign borrowing should be retained until at least the domestic financial system has been strengthened.

Notes

1 Twenty-two years ago it was stated at the end of a lecture that "much of what used to be thought of as trade theory has been shown to be simply public finance: and indeed to boil down to such mundane matters as administrative costs". See I M D Little, 'Trade and Public Finance' (a memorial lecture for V K Ramaswami), *Indian Economic Review*, Vol VI (New Series), October 1971, No 2.

2 A particular reason might possibly arise in the case of a commodity where a marginal fall in the rate of taxation of production in units large enough to be taxed (factories) would result in such a transfer of production from very small untaxable units that revenue would rise. Although, in that case, it would be likely that lower taxation of *both* imports and domestic production would increase revenue, it is possible that the elasticities of substitution would be such as to make unequal taxation of imports and domestic production revenue maximising (note that it could be that a *lower* rate of tax on imports than domestic factory production would be revenue maximising). Our guess is that this is a rather esoteric and farfetched reason for 'revenue protection'.

3 An exception is a tariff offset by an export subsidy. The domestic consumer then pays the cost of subsidising home sales, and the government the cost of subsidising export sales.

4 A uniform protective tariff of 10 per cent was suggested on these grounds in I M D Little, Tibor Scitovsky and Maurice Scott, *Industry and Trade in Some Developing Countries: A Comparative Study*, London: Oxford University Press, 1970.

5 J Bhagwati and V K Ramaswami, 'Domestic Distortions, Tariffs and the Theory of Optimum Subsidy', *Journal of Political Economy*, February 1963. The so-called new trade theory, propounded by P Krugman and others, calls particular attention to the case of internationally oligopolistic increasing return industries (the prime example being large passenger aircraft), where government intervention may help to capture supernormal profits for one country rather than another. We do not think this theory is very relevant for India.

6 Alternatively an employment or training subsidy depending on what was the heart of the externality.

7 Prominent recent books expressing the view that government should play a leading role in industrial development include A Amsden, *Asia's Next Giant: South Korea and Late Industrialisation*, New York, Oxford University Press, 1989 and Robert Wade, *Governing the Market*, Princeton University Press, 1990.

8 See R M Auty, 'Creating Competitive Advantage: South Korean Steel and Petrochemicals'. Tijdschrift voor Econ en Soc Geografie 82 (1991), No 1.

9 This is supported by R M Auty who has written (ibid), "Shipbuilding presents the paradox of an industry established as a downstream consumer of cheaply priced steel which recorded an even more disappointing financial return than that of the basic trigger industry, but its low return was not due to uncompetitiveness. Rather it reflected heavy reliance on export markets which underwent an unexpectedly protracted decline." We would add that the initial investment seems to have been rather euphoric. It catered for the construction of million ton tankers.

10 It is now being argued that "the bureaucracy's taste for micro-management is hindering a necessary restructuring of industry", and it is reported that the government will cease targeting industrial sectors for support and protection. See *Financial Times* Survey, Korea, June 3, 1993.

11 For example, Argentina, Brazil, Costa Rica, Cote d'Ivoire, Mexico, Morocco and Nigeria among the 18 countries studied in Ian M D Little, Richard N Cooper, W Max Corden and Sarath Rajapatirana, *Boom, Crisis and Adjustment: The Macro-economic Experience of Developing Countries*, Oxford University Press for the World Bank, 1993. It might be added that government intervention in the UK, to promote aircraft and atomic energy, has contributed much to her relative stagnation.

12 Government of India, Ministry of Finance, *Tax Reforms Committee, Interim Report*, December 1991; *Final Report*, Part I, August 1992; *Final Report*, Part II, January 1993.

13 High real rates of interest are an important incentive for promoting a reasonably labour-intensive industrial development. Government interventions are usually in favour of highly capital-intensive industries, believed to be infant industries which will eventually achieve such economies of scale as to satisfy their early subsidisation. If the government still wishes to pick such supposed winners it had best do it by subsidising interest rates, as in Korean shipbuilding.

14 See Chelliah, *Final Report*, Part II, Tables 2.1 and 2.2.

15 The above paragraphs on agriculture owe much to Ashok Gulati and Pradeep K Sharma, 'Government Intervention in Agricultural Markets: Nature, Impact, and Implications', *Journal of Indian School of Political Economy*, April-June 1991; and to Ashok Gulati, 'Reforms in Agriculture: Need and Strategy', NCAER March 1993 processed.

16 These points are made by Vinod Thomas and John Nash, *Trade Policy Reform*, Oxford University Press for the World Bank, 1991. This work draws lessons concerning the process of reform from the experience of the many countries that have instituted reforms in the last decade. However, it has to be said that countries vary so much in many relevant respects that it is hard to draw any general lessons.

17 On all this see Little, Cooper, Corden and Rajapartirana, op cit, especially chapters 6 and 7. The evidence in India's case for viewing inflation as highly independent of the exchange rate is presented in Vijay Joshi and I M D Little, *India-Macroeconomics and Political Economy 1964-91*, The World Bank, and Oxford University Press, India, 1993.

18 See Joshi and Little, ibid.

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BALANCE SHEET OF THE INDIAN BRANCH AS AT 31 MARCH, 1993

	Schedule	As on 31.3.93 (Current Year) Rs. in 000's	As on 31.3.92 (Previous Year) Rs. in 000's
CAPITAL AND LIABILITIES			
Capital	1	50,362	2,000
Reserves and Surplus	2	73,731	61,388
Deposits	3	1,944,088	1,638,812
Borrowings	4	283,117	198,968
Other Liabilities and Provisions	5	200,322	190,469
TOTAL		2,551,620	2,091,637
ASSETS			
Cash and balances with Reserve Bank of India	6	64,966	402,092
Balances with Banks and money at call and short notice	7	431,114	124,008
Investments	8	357,671	455,921
Advances	9	1,545,041	1,056,363
Fixed Assets	10	29,623	11,564
Other Assets	11	123,205	41,689
TOTAL		2,551,620	2,091,637
Contingent Liabilities	12	1,293,799	3,579,698
Bills for Collection		350,466	92,405

Notes to Accounts 17
Notes and schedules to the accounts form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For and on behalf of
P. C. HANSOTIA & CO.
Chartered Accountants

Sd/-
H. H. TAPIA
Partner

Bombay
Dated: 29 July 1993

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 1993

	Schedule	Year Ended 31.3.93 (Current Year) Rs. in 000's	Year Ended 31.3.92 (Previous Year) Rs. in 000's
I) INCOME			
Interest earned	13	339,494	281,765
Other Income	14	30,601	43,925
TOTAL		370,095	325,690
II) EXPENDITURE			
Interest expended	15	213,325	157,704
Operating Expenses	16	50,315	42,880
Provisions and contingencies		88,201	94,021
TOTAL		351,841	294,605
III) PROFIT/(LOSS)			
Net Profit for the year		18,254	31,085
Profit brought forward		38,699	34,012
TOTAL		56,953	65,097
IV) APPROPRIATIONS			
Transfer to statutory reserves		3,651	6,217
Transfer to Provision for taxation—prior years		Nil	1,152
Transfer to Government/ proposed dividend		Nil	Nil
Remitted to Head Office		24,868	19,029
Balance carried over to Balance Sheet		28,434	38,699
TOTAL		56,953	65,097

Notes to Accounts 17
Notes and schedules to the accounts form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For Oman International Bank S.A.O.G

Sd/-
R. KRISHNAN
Chief Manager — India

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As on 31.3.93 (Current Year) Rs. in 000's	As on 31.3.92 (Previous Year) Rs. in 000's
Schedule 1—Capital		
Capital	50,362	2,000
Includes an amount of Rs. 2,000,000 (P.Y. ended 31-3-92—Rs. 2,000,000) brought in by way of start up capital (Refer note below)		
TOTAL	50,362	2,000
Note: Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949 is Rs. 32,000,000 (P.Y. Rs. 25,000,000).		
Schedule 2—Reserves and Surplus		
I) Statutory Reserves		
Opening Balance	22,689	16,472
Additions during the year	3,651	6,217
	26,340	22,689
Deductions during the year	Nil	Nil
	26,340	22,689
II) Capital Reserves		
Revaluation Reserve		
Opening Balance	Nil	Nil
Additions during the year	19,148	Nil
	19,148	Nil
Deductions during the year	(191)	Nil
	18,957	Nil
III) Share Premium	Nil	Nil
IV) Revenue and other reserves	Nil	Nil
V) Balance in Profit and Loss Account	28,434	38,699
TOTAL	73,731	61,388
Schedule 3—Deposits		
A. I) Demand Deposits		
i) From Banks	Nil	Nil
ii) From Others	582,624	242,262
II) Savings Bank Deposits	28,449	13,315
III) Term Deposits		
i) From Banks	197,924	265,374
ii) From Others	1,135,091	1,117,861
TOTAL	1,944,088	1,638,812
B. i) Deposits of branches in India	1,944,088	1,638,812
ii) Deposits of branches outside India	Nil	Nil
TOTAL	1,944,088	1,638,812

	As on 31.3.93 (Current Year) Rs. in 000's	As on 31.3.92 (Previous Year) Rs. in 000's
Schedule 4—Borrowings		
I) Borrowings in India		
i) Reserve Bank of India	203,760	98,280
ii) Other Banks	41,699	68,755
iii) Other Institutions and Agencies	Nil	20,048
II) Borrowings outside India	37,658	11,885
TOTAL	283,117	198,968
Secured borrowings included in I and II above—Rs. Nil		
Schedule 5—Other Liabilities and Provisions		
I) Bills Payable	51,542	16,823
II) Inter-Office Adjustments (net)	41,676	31,067
III) Interest accrued	54,481	45,495
IV) Others (including Provisions)	52,623	97,084
TOTAL	200,322	190,469
Schedule 6—Cash and Balances with Reserve Bank of India		
I) Cash in hand (including foreign currency notes)	2,954	2,725
II) Balances with Reserve Bank of India		
i) In Current Account	62,012	399,367
ii) In other accounts	Nil	Nil
TOTAL	64,966	402,092
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I) In India		
i) Balances with banks		
a) In current accounts	409,542	114,752
b) In other deposit accounts	Nil	Nil
ii) Money at call and short notice		
a) With banks	Nil	Nil
b) With other institutions	Nil	Nil
TOTAL	409,542	114,752
II) Outside India		
i) In current accounts	21,572	9,256
ii) In other deposit accounts	Nil	Nil
iii) Money at call and short notice	Nil	Nil
TOTAL	21,572	9,256
GRAND TOTAL	431,114	124,008

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As on 31.3.93 (Current Year) Rs. in 000's	As on 31.3.92 (Previous Year) Rs. in 000's
Schedule 8—Investments		
I) Investments in India		
i) Government Securities	65,699	186,659
ii) Other approved securities	20,000	10,000
iii) Shares	Nil	472
Less: Provision for diminution in investments		(472)
iv) Debentures and Bonds	1,972	1,972
v) Subsidiaries and/or joint ventures	Nil	Nil
vi) Treasury bills	270,000	257,290
TOTAL	357,671	455,921
II) Investments outside India in		
i) Government Securities (including local authorities)	Nil	Nil
ii) Subsidiaries and/or joint ventures abroad	Nil	Nil
iii) Other investments (to be specified)	Nil	Nil
TOTAL	Nil	Nil
GRAND TOTAL	357,671	455,921
Schedule 9—Advances		
A) i) Bills purchased and discounted	751,056	551,368
ii) Cash credits, overdrafts and loans repayable on demand	362,817	299,256
iii) Term loans	431,168	205,739
TOTAL	1,545,041	1,056,363
B) i) Secured by tangible assets	1,274,653	454,236
ii) Covered by Bank/ Government Guarantees	113,046	422,545
iii) Unsecured	157,342	179,582
TOTAL	1,545,041	1,056,363
C) I. Advances in India		
i) Priority sectors	116,911	94,558
ii) Public sectors	Nil	Nil
iii) Banks	Nil	Nil
iv) Others	1,209,359	839,563
TOTAL	1,326,270	934,121
II. Advances outside India		
i) Due from banks	Nil	Nil
ii) Due from others		
a) Bills purchased and discounted	218,771	122,242
b) Syndicated loans	Nil	Nil
c) Others	Nil	Nil
TOTAL	218,771	122,242
GRAND TOTAL	1,545,041	1,056,363

	As on 31.3.93 (Current Year) Rs. in 000's	As on 31.3.92 (Previous Year) Rs. in 000's
Schedule 10—Fixed Assets		
I) Premises		
At cost as on 31st March 1992	6,472	6,472
Additions during the year	19,149	Nil
Revaluation Reserve 1992		
Deductions during the year	Nil	Nil
Depreciation to date	(1,529)	(1,079)
I	24,092	5,393
II) Other Fixed Assets (including furniture and fixtures)		
At cost as on 31st March 1992	14,473	14,235
Additions during the year	1,513	692
Deductions during the year	(184)	(454)
Depreciation to date	(10,271)	(8,302)
II	5,531	6,171
NET BLOCK	29,623	11,564
Refer Note 1. (v) of Schedule 17—Notes to Accounts		
Schedule 11—Other Assets		
I) Inter-Office Adjustments (net)	Nil	Nil
II) Interest accrued	38,689	18,963
III) Tax paid in advance/tax deducted at source	Nil	Nil
IV) Stationery and stamps	Nil	Nil
V) Non-banking assets acquired in satisfaction of claims	Nil	Nil
VI) Others	84,516	22,726
TOTAL	123,205	41,689
Schedule 12—Contingent Liabilities		
I) Claims against the bank not acknowledged as debts	Nil	Nil
II) Liability for partly paid investments	Nil	Nil
III) Liability on account of outstanding forward exchange contracts	656,215	1,503,288
IV) Guarantees given on behalf of constituents		
a) In India	280,034	477,978
b) Outside India	Nil	Nil
V) Acceptances, endorsements and other obligations	350,466	939,457
VI) Other Items for which the Bank is contingently liable		
a) Liabilities on bills of exchange rediscounted	Nil	650,000
b) Disputed Income tax liabilities pending in appeal	7,084	8,975
TOTAL	1,293,799	3,579,698

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year Ended March 31, 1993 (Current Year) Rs. in 000's	Year Ended March 31, 1992 (Previous Year) Rs. in 000's
Schedule 13—Interest Earned		
I) Interest/discount on advances/bills	275,152	221,869
II) Income on investments	44,908	37,087
III) Interest on balances with Reserve Bank of India and other inter-bank funds	17,340	20,660
IV) Others	2,094	2,149
TOTAL	339,494	281,765
Schedule 14—Other Income		
I) Commission, exchange and brokerage	27,392	35,801
II) Profit on sale of investments	6,435	10,959
Less: Loss on sale of investments	6,604	10,917
	(169)	42
III) Profit on revaluation of investments	Nil	Nil
Less: Loss on revaluation of investments	Nil	Nil
	Nil	Nil
IV) Profit on sale of land, buildings and other assets	15	39
Less: Loss on sale of land, buildings and other assets	Nil	Nil
	15	39
V) Net Profit on exchange transactions	3,165	7,556
VI) Income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad / in India	Nil	Nil
VII) Net Loss accrued on invt. (classified as permanent)	(22)	Nil
VIII) Miscellaneous Income	220	487
TOTAL	30,601	43,925

	Year Ended March 31, 1993 (Current Year) Rs. in 000's	Year Ended March 31, 1992 (Previous Year) Rs. in 000's
Schedule 15—Interest Expended		
I) Interest on deposits	147,030	100,190
II) Interest on Reserve Bank of India/Inter-bank borrowings	59,911	55,332
III) Others	6,384	2,182
TOTAL	213,325	157,704
Schedule 16—Operating Expenses		
I) Payments to and provisions for employees	4,940	5,059
II) Rent, taxes and lighting	6,489	5,744
III) Printing and stationery	5,454	1,350
IV) Advertisement and publicity	3,379	2,726
V) Depreciation on bank's property	2,354	2,221
VI) Director's and LAB member fees, allowances and expenses	507	386
VII) Auditor's fees and expenses (including branch auditors)	158	105
VIII) Law Charges	239	417
IX) Postages, telegrams, telephones etc.	6,212	6,176
X) Repairs and maintenance	423	778
XI) Insurance	1,292	862
XII) Other Expenditure	18,868	17,056
TOTAL	50,315	42,880

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Schedule 17—Notes forming part of the accounts for the year ended 31 March, 1993

1. **Principal Accounting Policies:**

i) General:

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

ii) Transactions involving foreign exchange:

a. Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year.

b. Income and expenditure items have been translated at the exchange rate ruling on the date of the transactions.

c. Profit or loss on forward contracts have been accounted for on an accrual basis.

iii) Investments:

In accordance with the Guidelines issued by the Reserve Bank of India the investments of the Bank have been bifurcated into 'Permanent Investments'—which are normally held upto the date of maturity and 'Current Investments'—which need not be held upto the date of maturity.

In respect of Permanent Investments the difference between the redemption value and cost of acquisition of the Investment is accrued as profit/loss over the period upto the date of redemption. In respect of Current Investments other than Treasury Bills the same are valued at cost or market value whichever is lower. The profit/loss on revaluation is charged to revenue. To conform with the aforesaid Reserve Bank of India guidelines issued during the year, the Bank has adopted the above practice with effect from the current year. Treasury Bills are valued at cost.

The Market value of other Quoted Investments is Rs. 8.92 crores (Cost Rs. 8,77 crores). The Market value of Investments has been worked out by means of an appropriate capitalisation of yield method.

iv) Advances:

a. Provision for doubtful advances is based on their classification into 'performing' and 'non-performing' assets in accordance with Reserve Bank of India guidelines. Provision for non-performing assets is made as under:

Sub-standard assets — 10% of net advance.

Doubtful assets — 100% of the unsecured portion and 20% to 50% of the net secured portion depending on the period for which the asset has remained non-performing.

Loss assets — 100%

The Bank has, while making the provisions in the manner referred to above, considered the guidelines issued by the Reserve Bank of India with respect to phasing of the aggregate Provisions required over a period of two years ending March 1994. The provisions so required by the Bank have been made after considering the provisions existing in the books of the Bank as at the end of the Previous Year.

b. Provisions in respect of doubtful advances have been deducted from advances.

c. Provisions have been made on a gross basis. Tax relief which will be available when the advance is written off will be accounted for in the year of write-off.

d. Interest on advances, classified as non-performing, has been credited to Interest Suspense account as specified under the guidelines issued by the Reserve Bank of India. Advances are reflected at net of interest suspended.

v) Fixed Assets:

a. Fixed Assets other than Premises have been accounted for at their historical cost. Premises have been considered at their revalued cost.

b. Leasehold Premises have not been capitalised. Lease rentals paid during the year have been charged to revenue account.

c. Depreciation has been calculated on a straight line basis to write off the cost of fixed assets over the expected useful lives of the assets duly certified by the management. The principal periods used are:

Premises	25 years
Furniture and Fixtures	5 years
Equipment	5 years
Motor Vehicles	5 years
Computers	5 years

The depreciation on additions to Fixed Assets made during the year has been charged on a *pro rata* basis. The depreciation provided on the above basis is higher than the depreciation computed in accordance with Schedule XIV of the Companies Act, 1956.

d. Depreciation on the increase in the value of the owned premises arising out of the revaluation has been charged against the Revaluation Reserve over the balance useful life of the Asset.

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vi) **Staff Benefits:**
Contributions to Gratuity Fund have been made on an accrual basis on the computation of the management of the Bank. A separate Fund for Gratuity has been created which has been recognised by the Commissioner of Income-Tax.

2. **Net Profits:**
The net profit disclosed in the Profit and Loss account is after considering:
a) Provisions for taxes on income in accordance with statutory requirements.
b) Provision for doubtful advances.
c) Head Office Administrative Expenses to the extent estimated to be allowable under Section 44C of the Income Tax Act, 1961.

3. **General:**
a. Based on the Valuation Report by an approved valuer appointed for the purposes specified, Office Premises in a Commercial Co-operative Society, in Bombay, have been revalued during the year. The increase in value of the premises arising out of the Revaluation has been transferred to Capital Reserves under the head 'Revaluation Reserve'.
b. Figures of the previous year have been regrouped/rearranged wherever necessary

For Oman International Bank S.A.O.G.
Sd/-
R. Krishnan
Chief Manager—India

Auditors' Report on the Indian Branch of the Oman International Bank S.A.O.G. under Section 30 of the Banking Regulation Act, 1949..

We have audited the attached Balance Sheet of the Indian Branch of the Oman International Bank S.A.O.G. as at 31 March, 1993 and the relative Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date signed by us under reference to this report.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Sub-Sections (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms "A" and "B" of the Third Schedule to the Banking Regulation Act, 1949.

(1) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
(2) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branch of the Bank.
(3) In our opinion, proper books of account as required by law have been kept by the Indian Branch of the Bank so far as appears from our examination of these books.
(4) The above mentioned Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of accounts.
(5) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet and Profit and Loss Account together with the notes thereon give the information required by the Companies Act, 1956 as amended, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31 March 1993 and the Profit and Loss Account gives a true and fair view of the profit of the Indian Branch of the Bank for the year ended 31 March 1993.

Sd/-
H. H. TAPIA
Partner
For and on behalf of
P. C. HANSOTIA & CO.
Chartered Accountants

Bombay
Dated: 29 July 1993

Liberalisation Debate: Some Careless Mistakes

Amitava Bose

This brief note discusses some instances of careless economic reasoning which have marked the otherwise very welcome debate among economists on economic liberalisation.

WHAT is pleasing about the liberalisation debate is that so many serious economists are participating in a public debate. But in spite of this, the debate is marked by many instances of careless economic reasoning. Some of these are taken up here. They deal with various trade liberalising policy shifts. Quite often liberalisation is held responsible for effects that result from actions that have nothing to do with liberalisation. It is very common to mix up the consequences of greater external borrowing with those of liberalisation. In what follows, the first two exercises deal with this kind of confusion. My concern in these as well as the other examples taken up subsequently is only with *what* is expected to happen and *why*; whether the consequences are good or bad is quite another matter.

Liberalisation and Volume of Imports

Consider first the anxiety that import liberalisation will lead to a flood of imports and worsen the trade deficit. But this is misplacing the blame. Import liberalisation has nothing to do with the volume of imports; it addresses a wholly different problem: by what device should a given amount of foreign exchange be allocated across competing claims. Liberalisation involves switching from discretionary allocations to market-determined allocations.

On the other hand, the total volume of imports will be determined simply by the total quantum of foreign exchange that is available, given world prices. It is certainly possible that liberalisation leads to more of a certain type of import. But then this must be matched by a reduction in at least one other import.[1] The country as a whole can import only as much as its foreign exchange availability will permit. This is true regardless of whether the allocation of foreign exchange is through interventionist instruments such as quotas or through market-determined prices and exchange rates.

Notice that in the above, the availability of foreign exchange is regarded as a constraint independent of import demands. This was not always so. One could think of the opposite case of an overdraft regime,[2] a situation that is not so inconsistent with India's past. In the overdraft regime, the amount of foreign exchange borrowed is residually determined by the country's net imports; the causation therefore runs from net imports to foreign exchange availability. What makes for this comfortable but dangerously fragile 'soft budget constraint' is the assurance of external finance on demand.[3] This is something that has ceased to be valid for India since 1990-91, and yet the implications that flow from this regime change are sometimes lost sight of.

It is useful to formulate all this as a proposition. Consider a 'small' country for which the world prices of the different importable goods are given. Suppose that export earnings, foreign capital inflows, remittances are all exogenously given in the short run. Add to this any desired adjustments in the level of foreign exchange reserves—to make them less precarious or less flabby[4]—and make allowances for committed outflows such as loan repayments and interest on outstanding debt. What we thereby obtain is the availability of foreign exchange for the financing of imports in the short period and clearly the amount is given. Take this figure and deflate it by an index of the world price level of importables. What results is the real volume of imports for the given period.[5] Therefore

Proposition 1: In the short run, the real volume of imports for a small country facing a foreign exchange constraint is fixed and is independent of specific policy changes associated with liberalisation.

I can anticipate one rejoinder to this. It may be pointed out that the availability of IMF loans is conditional on liberalisation taking place. Hence both the volume of imports as well as our indebtedness will go up as a direct consequence of liberalisation. However, the original point stands since one can liberalise without taking an IMF loan. Or one can liberalise, take an IMF loan, and use it only to effect repayments.

Import Duties and Domestic Prices

In the context of a flexible exchange rate, it is a fallacy to believe that domestic firms can be protected by raising tariffs or, equivalently, that a reduction in tariff rates will lead to a displacement of domestic goods by imports. We can already see why by appealing to Proposition 1—reducing tariff rates cannot increase the availability of foreign exchange for imports[6]—but we can go a step further. Let us examine the following question: Will slashing tariffs make imports less costly for the domestic user?[7]

The answer is that it will not. In a flexible exchange rate system, there is a presumption that a proportionate change in tariff rates will itself induce an offsetting depreciation of the rupee so as to leave domestic prices exactly unchanged.

Consider an economy which imports only one good. The world price in dollars is P^*, the rupee price of a dollar is e, and the world price in rupees is Pf:

$$Pf = eP^* \qquad (1)$$

The domestic price of imports is Pd and the tariff rate is t:

$$Pd = (1+t)\,Pf \qquad (2)$$

The demand for imports is given by a demand function the main argument of which is the price paid by the consumer:

$$Q = D(Pd,.) \qquad (3)$$

We have already done the spade work for the supply side. From Proposition 1 the supply of imports is given:

$$Q = \bar{Q} \qquad (4)$$

where $\bar{Q} = A^*/P^*$, and A^* denotes the availability of foreign exchange in dollars. A^* and P^* are constants.

Now, the intention of liberalisation is to let the domestic price of imports be determined by demand-supply equilibrium:

$$D(Pd,.) = \bar{Q} \qquad (5)$$

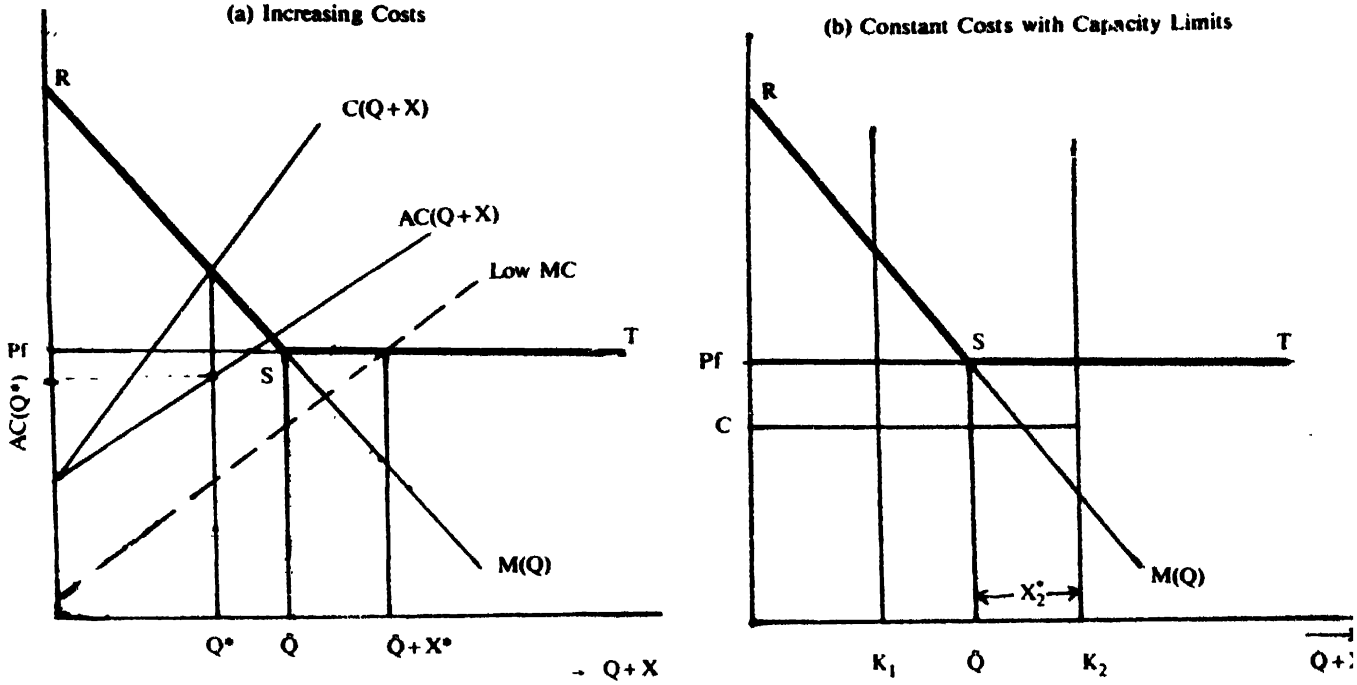
Equation (5) is self-sufficient. It determines Pd independently of anything else. In particular, Pd is independent of t. Thus changes in tariff rates cannot make imports cheaper or dearer in a flexrate regime. How then are these changes accommodated? Combining (1) and (2) we find the answer: Since both Pd and P^* are unaffected, e moves up in proportion to the fall in $(1+t)$.

It is not hard to see that this neutrality result will hold regardless of the number of importables provided that the tariff factors, i e, $(1+ti)$ where ti is the tariff rate on the ith import, are changed in the same proportion.[8]

Proposition 2: With a flexible exchange rate, a proportionate change in the tariff factors will not have any short period effect on the domestic prices of importables for a small country facing a foreign exchange constraint. Only the exchange rate will depreciate in the same proportion.

Notice that the proposition would not be true in the context of a fixed exchange rate. We would then have to drop equation (5) above and also do away with one

FIGURE 1: RELATIVE EXPORT PROFITABILITY



of the variables, viz, e, the exchange rate. Consequently Pd would vary in proportion to (1+t).

A number of corollaries to these two propositions can be derived. Let me give just two very simple examples. Consider first the allegation that liberalisation will reduce employment in a demand-constrained set up. The claim is that liberalisation will expand imports which will crowd out an equal amount of domestic output. But the first step is wrong. It is not liberalisation that can be blamed for a bulge in imports; that must be the result of an inclination to live beyond our means in a foreign exchange sense.[9]

Another very clear implication is the following. In a fully liberalised regime, the domestic price of imports is essentially determined by export earnings. A rise in export earnings makes imports cheaper, a fall in export earnings makes them costlier.

DEVALUATION AND INFLATION

The government has introduced many changes over the past couple of years. However, interventions and controls continue to exist in several areas. Think of oil imports for India. This is under government control and the government also fixes the domestic prices of petroleum products. A major objection to letting the rupee float freely in the international market is that this will cause a devaluation, oil will thereby become costlier and that will lead to inflation at home.

But must this happen? Suppose the government decides that it will not change the issue price of petroleum products and it will continue to import the same amount of oil and spend the same amount of foreign exchange. What then? Will inflation have been avoided?

Surely the government will end up with a larger rupee deficit which it will owe the Reserve Bank. However, the inference that this shows that a cost-push inflation has simply been replaced by a demand-pull inflation is not correct. This is because the larger deficit is merely an accounting deficit that has absolutely no impact on money supply. The point is obvious since the larger government borrowing is not for the sake of making a domestic payment. The larger rupee deficit will be cancelled out by the increase in the rupee value of the fall in foreign exchange reserves on account of oil imports so the stock of high powered money will be unchanged.

Of course the increase in the rupee earnings of the exporter will tend to inflate money supply. But that will happen irrespective of whether the government decides to raise oil prices or not. On the other hand, if the domestic price of petroleum products needs to be raised in order to generate more budgetary resources and reduce money creation, then this can be done—and in the past has often been done—without waiting for the exchange rate to first change. Finally, how do we know that if more revenues must be raised the best way to do so is by raising the price of petroleum products or that this is the optimal way for the government to intervene?[10]

LIBERALISATION AND EXPORTS

There appears to be considerable academic scepticism regarding the ability of liberalisation to induce a significant increase in Indian exports. However, the evidence cited in support of this scepticism is inconclusive. I will take up only one argument here. What I wish to examine is the manner in which a certain kind of evidence regarding costs and prices is used to conclude that liberalisation will not help.

The argument runs roughly as follows. There are a number of domestically produced goods that, even without liberalisation, were internationally 'cost effective' or more so, yet exports of these did not pick up. In some cases, the figures indicate that the Indian exporter should be able to undercut and take away market share, but this is not happening. Thus the evidence suggests it is not profitability that is holding us back but the existence of powerful non-economic barriers to India entering the global market place. In such a situation, how can liberalisation or export subsidies help?

There may well be entry barriers, economic or non-economic, strategic or natural. But it is difficult to imagine that these are universal. In any case, it is not my intention to settle an empirical point here. What I feel worth emphasising is the fact that there is certainly no contradiction between profit maximisation and the evidence regarding domestic costs and international prices. The point is an especially simple one to communicate. Though the profit margin on exports is

positive, that on domestic sales may be more so. So the domestic firm may choose not to export. Indeed, one of the chief arguments in favour of liberalisation is that an import-substituting regime artificially bolsters profitability of home sales and provides a built-in bias against exports. This argument suggests that it is lack of competition that makes the home market stronger for incumbent firms. It is easy to illustrate this by using the theory of price discrimination.

Consider a firm that enjoys a monopoly in the domestic market. The international market for the product is perfectly competitive—so there are no entry barriers. The world price is Pf and this is given to the firm. Let Q denote domestic sales and X denote exports. Domestic marginal revenue is given by the function M(Q), and domestic marginal cost of production by C(Q + X). If there are "interior solutions", the profit maximising point is where Pf = M(Q) = C(Q + X). We assume that imports of this good are prohibited, so X must be non-negative and this may preclude an interior solution. Let $\hat{Q}$ solve Pf = M(Q). Now if Pf<C($\hat{Q}$) and C(.) is increasing, then clearly X = 0 is optimal. In this case the domestic monopolist chooses not to export because of the protected domestic market and the high marginal costs of expanding production. However, note that unit costs could be lower than world prices, i e, Pf>AC(Q^*) is quite possible. All this is illustrated in Fig 1(a), where the thick, broken line RST is the horizontal sum of the marginal revenues in the two markets. For Pf> C($\hat{Q}$), it is optimal to sell $\hat{Q}$ in the home market and export an amount X^*, where C($\hat{Q}$ + X^*) = Pf.

The analysis can be made sharper. Assume that marginal costs are constant and equal to c as long as production is strictly below a capacity ceiling, K, but are infinite otherwise. Also let c< Pf, to load the dice in favour of exports. It is, nonetheless, clear that for K<$\hat{Q}$, the monopolist will choose not to export. Of course for the case of large K, the monopolist must export since it would always be profitable to do so after having exhausted the domestic market, given that production is internationally "cost effective", i e, c<Pf. Fig 1(b) illustrates both possibilities, taking alternative capacities, K1 and K2.

Liberalisation would affect the picture in three ways. First, by allowing a depreciation of the exchange rate, it will cause Pf to be raised and this will increase the opportunity cost of domestic sales. Second, it may enable a relaxation of the capacity constraint through delicensing. But a deeper reason is that by removing artificial barriers to entering the domestic market, it will tend to weaken domestic monopolies and narrow the gap between the marginal revenues.[11]

Liberalisation and Competition

This leads me to my last point. Many pro-liberalisers implicitly assume that removal of policy-imposed restrictions necessarily enhances competition. This is patently false. Why should we assume that left to itself the market would always be perfectly competitive? It may well result in a monopoly and for a variety of reasons. One pertinent reason could be increasing returns. I shall deal with this very briefly.

Suppose that the world market for one of our imports is monopolised by a gigantic corporation. Production is characterised by increasing returns that set in after a point; there is an initial stretch of constant costs. The same technology is available to home producers. However, the domestic country is a closed one, so the home producers service only domestic demand. The level of domestic demand is not high enough to take production beyond the constant cost stretch. But world demand is sufficiently high to enable operation in the decreasing cost region if all production is carried out by one firm.

In such a situation, consider what happens when the home country opens up. We have a unified world market dominated by a single giant producer exploiting increasing returns and bringing prices down in the home market. Here liberalisation has in fact eliminated competition. The proposition that is at issue here is whether, left to itself, the market tends to select the efficient outcome, not whether the market invariably decides to be competitive. With increasing returns, efficiency calls for large-scale production.

We have selected this example to also highlight one other point. It is sometimes argued that the answer to India's problems with costs and inefficiencies lies not in trade liberalisation but in domestic liberalisation. This will enhance efficiency by engendering competition without the threat of multinationals and other foreign firms taking over the market. But internal liberalisation will be quite inadequate if there are increasing returns that require a scale much larger than can be achieved through domestic demand of a poor country.

Notes

[I should like to thank Alok Ray and Abhirup Sarkar for very helpful discussions.]

1 For reasons of relevance, I am not dealing with tied loans whereby more foreign exchange is made available provided it is spent on selected items.

2 The term has been borrowed from Hicks, who used it in connection with the domestic credit market; see Chapter II of John Hicks, *The Crisis in Keynesian Economics*, Basil Blackwell, Oxford, 1974.

3 The best example of the use of a soft budget constraint is the investment demand function of Keynesian macro-economics. Here there is assured credit for the investor who is not subjected to the rigours of a budget constraint. This led to a host of problems for those who tried to derive Walras' Law in the usual manner by summing up individual budget constraints.

4 This is a slippery idea in the context of a flex-price regime; if they are really flexible, prices should move so as to always convert existing stocks into desired stocks. Concern with the level of reserves thus reflects an apprehension regarding price volatility. For a nice introduction, see Hicks, op cit, Chapter I.

5 Essentially, this amounts to measuring the available stock of foreign exchange at constant prices.

6 Unless we succumb to the temptation of borrowing more from a country which promises a good loan on condition that we reduce tariff rates on their exportables. In such cases the fault lies not in liberalising but in taking a loan and using it to augment imports.

7 The question is pertinent in the wake of this year's budget. The majority opinion appears to favour an affirmative answer. There are of course sceptics who point out that this might not be true this time since there have been two simultaneous policy shifts, the other one being the termination of the dual exchange rate scheme. Unification of the exchange rate, they argue, will inevitably result in a depreciation of the rupee that will work in the opposite direction, so the net effect is unpredictable. But our question here is different. What will happen after the exchange rate has been unified and given time to settle at its equilibrium level if tariffs are slashed once more?

8 We are dealing only with the immediate or impact effects. The most important thing left out is the income redistribution effect of a transfer of erstwhile tariff revenues to the exporters.

9 It is possible that the allocative effects of liberalisation may include a change in the level of employment, for instance if the market reallocates in favour of industries with a lower labour intensity per unit of foreign exchange used.

10 Of course the analysis needs to be made more complete by bringing in second round effects. In particular one would have to consider the fact that if oil prices are kept unchanged but those of other goods are allowed to rise, then there would tend to be some change in the demand for oil resulting from the standard substitution and income effects for buyers as well as sellers.

11 In the fully liberalised case, of course, there is no such thing as a separate domestic market; it is part of an integrated world market.

Assessing Economic Reform

Rajesh Kumar Jha

MANU SHROFF's rejoinder (May 8) to Deepak Nayyar's article 'Indian Economy at the Crossroads: Illusions and Realities' (April 10) attempts to cover up the essence of the economic reform currently under way in India at the behest of the multilateral funding agencies. The basic inspiration for the policy reform comes from the orthodox neo-classical school of economics whose mouthpieces these agencies—e g, IMF and World Bank—are. This orthodoxy is characterised by a much greater degree of dogmatism than is the Marxist one against which Shroff speaks in a subtle yet quite audible tone. An important issue in this context is that of 'analytical absolutism' raised by Nayyar, but it is completely evaded by Shroff. We will come to this point later.

Shroff contends that Nayyar's conclusions do not follow either from the evidence cited by him or the "experience of other countries which had embarked on similar reforms". This is a strange assertion because there is enough evidence from other countries which have undertaken these reforms. This evidence has generated a lively debate in academic circles. To cite one example, one may mention Rehman Sobhan's paper 'Structural Maladjustment: Bangladesh's Experience with Market Reforms' published in the same issue of this journal as Shroff's rejoinder. Sobhan shows that the GDP growth rate of Bangladesh declined sharply from 7.1 per cent for the period 1972-73 to 1974-75 to 5.1 per cent for 1975-76 to 1980-81 and to 3.1 per cent for 1991-92. Bangladesh was on the same reform package dictated by WB-IMF which India is following today. The policy package has not led to any improvement in the performance of Bangladesh's economy over the period of reform. It is worth noting that Bangladesh was in a better position to implement the reforms as it was under military or semi-military rule for the larger part of the period of reform and was thus less encumbered by non-economic considerations like public acceptance of the reforms which become vital for a democratic country like India. The growth rate of agriculture in Bangladesh averaged 4.2 per cent in the 1970s and 1.6 per cent in the 1980s. Though in 1989-90 it picked up at 7.6 per cent, it fell to 2 per cent in 1990-91 and 1991-92. The manufacturing sector too grew at 2.5 per cent in the 1980s, well below the rates in the 1970s. Overall investment as a percentage of GDP declined from 15.9 per cent in 1980-81 to a low of 10.3 per cent in 1991-92. The decline was reflected in falling private as well as public investments. On the export front, however, the performance has been good and the growth rate in the 1980s has been double than that in the 1970s. A major part of this boom in export is accounted for by increased garment exports with very little backward linkage effects. Inflation has been kept under control mainly through stabilising foodgrain prices. Sobhan concludes, "Bangladesh's reform programme remains in deep crisis because it has over a decade failed to accelerate growth, diversify the economy, stimulate investment and domestic savings and create the basis for a sustained growth process which can lead to greater self-reliance and substantial reductions in mass poverty"

This is the experience of one country from our neighbourhood indicating the failure of the policy package recommended by the multilateral financing agencies. Other examples, specially from Latin America and Africa, can be cited to show the inadequacy of these policies. There have been pioneering works in this sphere showing that simple monetarist prescriptions for correcting current account deficits or controlling inflation, etc, have been unsuccessful in most countries. Against this background, the assertion that the experience of other countries does not warrant the conclusions drawn by Nayyar is not tenable.

It is also not correct to say that Nayyar's article does not assign any probability to the risks of the reforms not working and that he bases his conclusions on the implicit assumptions about their failure. In fact, while talking about the stabilisation of the balance of payments situation and reduction in the rate of inflation, Nayyar categorically states that the chances of success of the reforms depend on the probability of achieving these two objectives which, in his view, have been low and are even lower now. This conclusion follows from the worldwide experience with stabilisation and structural adjustment programmes as also from the Indian experience of the last couple of years.

Even if things 'do not go wrong'—which is most unlikely, given the simplistic theoretical model behind these policies and the historical experience—the problems of transition and adjustment are considerable which can upset the applecart any moment. The reason why policy-makers cannot give 'careful consideration' or 'adopt substantial correctives' is because doing so will undermine the very basis of the reforms. Thus we are faced with a dilemma—without correctives the reforms are bound to go the wrong way and with them the very basis of the reforms will be subverted. There is no plausible answer to this dilemma available within the parameters set by the policy reforms. Implicit in the article by Nayyar is a clear perception of this problem which Shroff fails to appreciate.

While summarising the main points raised by Nayyar, Shroff misrepresents him regarding the deregulation of the financial sector. Rather than viewing the financial sector deregulation as 'inadequate', Nayyar calls for a careful and cautious approach. To quote him, "deregulation in the financial sector, unless it is paced with care, can be perilous not just in terms of scams or scandals, but also if it diverts scarce resources to unproductive uses". Thus it is a wrong reading of Nayyar's article to say that he is pleading for greater deregulation of the financial sector.

Coming to the diagnosis of the malaise of the Indian economy, Shroff agrees that the crisis of 1991 was mainly a result of the macro-economic imbalances of the 1980s, but he criticises those economists who supported deficit financing to spur investment although it led to macro-economic imbalances. It should not be forgotten, however, that the larger proportion of the deficit in the 1980s went to finance the luxury consumption of the middle classes benefiting from transfer payments, specially on account of public debt interest payments. Gross capital formation out of the budgetary resources of the central government as a percentage of GDP remained stagnant or fell during this period. In 1980-81 it was 6.6 per cent and remained at the same level in 1990-91, with some fluctuation in the intervening period. According to the budget estimates for 1992-93, the rate fell to 5.6 per cent as a consequence of adherence to the Fund-Bank policy package. Total developmental outlay did increase in absolute terms from Rs 36,845 crore in 1980-81 to Rs 1,76,548 crore in 1990-91, but as a proportion of GDP its share remained constant at about 18 per cent after reaching a peak of 21.7 per cent in 1989-90. On the other hand, non-developmental outlay was Rs 12,419 crore in 1980-81 which shot up to Rs 70,626 crore in 1990-91. As a proportion of GDP it marked an increase from 9.1 per cent in 1980-81 to 13.3 per cent in 1990-91. The highest increase among the items of the government's current expenditure has been in interest payments which rose as a proportion of GDP from 1.9 per cent in 1980-81 to 4 per cent in 1990-91. Contrary to the picture being painted, subsidy as a percentage of GDP has not increased very much over this period. It was 1.2 per cent of GDP in 1980-81 and increased to 2 per cent in 1990-91.

As a proportion of the government's total expenditure, gross capital formation out of budgetary resources fell from 40.1 per cent in 1980-81 to 34.7 per cent in 1990-91. The government's consumption expenditure fell from 23 per cent in 1980-81 to 21.5 per cent in 1990-91. The major increase was in

transfer payments which include interest payments, subsidies, grants to states and other items. From 30.7 per cent of total expenditure in 1980-81, they reached a level of 43 per cent in 1990-91. Interest payments which constituted 10 per cent of total expenditure in 1980-81 rose to 19 per cent in 1990-91. Subsidies were 8.5 per cent of the total expenditure in 1980-81 and increased to 10.5 per cent in 1990-91.

All this clearly brings out that the profligacy of the 1980s was not directed towards raising productive investment. Much of it went into larger transfer payments as interest, which accrued mostly to the richer sections of society. This was reflected in increased demand for imported luxury goods. With the international financing institutions and private creditors flush with money and ready to lend, the inherent check on government profligacy was gone and there was resort to heavy short-run and long-run borrowing from private lending institutions. External debt rose sharply from 9.9 per cent of GDP in 1980-81 to 12.5 per cent in 1990-91. The conclusions following from this are simple: (i) fiscal profligacy was not caused by increased investment in the public sector undertakings, etc; and (ii) fiscal profligacy might have been encouraged by the easy availability of foreign credits rather than the other way round. Therefore, the profligacy of the 1980s was neither caused by a realisation of the virtues of deficit financing in raising productive investment nor was it associated with the strategy of development adopted in the 1950s. It was simply a reflection of the distorted priorities of the government and its short- sightedness.

Shroff agrees with Nayyar that "it is the nature and the form of state intervention that matters". He, however, highlights the 'gathering conviction' that the nature of the state itself has changed a great deal and hence there was need for greater reliance on market forces. He does not spell out what has been the change in the nature of the state which forces greater reliance on the market. The nature of the state has changed inasmuch as it sees the market as the panacea of all the ills facing the economy. In this sense, however, talk about the changing nature of the state as a reason explaining the total dependence on markets is tautological. Nevertheless, in one sense the nature of the state has certainly changed as from being the 'plaything of criminalised politics' it has now become a remote-controlled robot fed on neo-classical monetarist principles far removed from ground realities. In both the cases, however, it is the common people who suffer.

It is also not correct to say that Nayyar's major criticism of the structural adjustment policies is that they have not gone far enough. Apart from pointing out the serious drawbacks of the structural adjustment policies and the inherent contradictions in the policy package, he has talked about the direction in which the reforms should move. It is basically a question of the direction and not the speed of the reform process. Talking about the speed and the sequencing of the reform process, Nayyar points out that the problems noticed elsewhere have already appeared in India. Industrial deregulation poses the problem of retrenchment and creation of monopolies preventing the entry of other firms (a recent case in point is the merger of TOMCO with Hindustan Lever). Public sector reform would grind to a halt the moment all the major PSUs are sold, since no attention is being paid to raising the efficiency and the productivity of the PSUs. The so- called full convertibility of the rupee has not solved any of the balance of payments problems and the principal instrument to achieve BOP equilibrium remains the depreciation of the rupee. Liberalisation of imports without any concerted effort to shore up exports has led to a widening trade gap. All this points not only to the problems associated with the speed of the reforms but more importantly to those related to the direction of the reforms which Shroff ignores.

Coming to inflation, it is true that inflation has decelerated over this period. But good monsoons and the expectation of another good monsoon this year have contributed significantly to the fall in the inflation rate. For the rest, the demand compression has been achieved by plunging the economy into a recession—a classic case of the remedy being worse than the disease. It is true that on annual average basis the rate of inflation fell from 13.7 per cent to 11.1 per cent between 1991-92 and end-December 1992. However, the consumer price index for agricultural labour still showed a high rate of inflation, suggesting a drastic erosion of the living standards of the poor.

The exchange reserves have improved from a precarious $ 2.2 billion in March 1991 to $ 7.07 billion in April 1993. Most of this has, however, come from exceptional financing sources like the transactions with the IMF and the India development bonds. The balance of trade for 1992-93 was negative to the extent of Rs 10,151 crore. In the absence of increase in export earnings, India will have no option but to rely on further borrowing.

The problem of inflation associated with the differential speeds of adjustment of demand and supply is supposed to be met through larger imports on the basis of additional capital inflows through foreign equity and borrowing. The flow of foreign capital through equity investment has not shown any substantial rise over this period. Dependence on the flows of such funds is dangerous since international capital movement is infamous for its capricious behaviour, moving out rapidly at the slightest possibility of earning a better return elsewhere. With the doing away of lock-in period for equity investment, dependence on such capital inflows could prove disastrous in times of crisis, real or perceived.

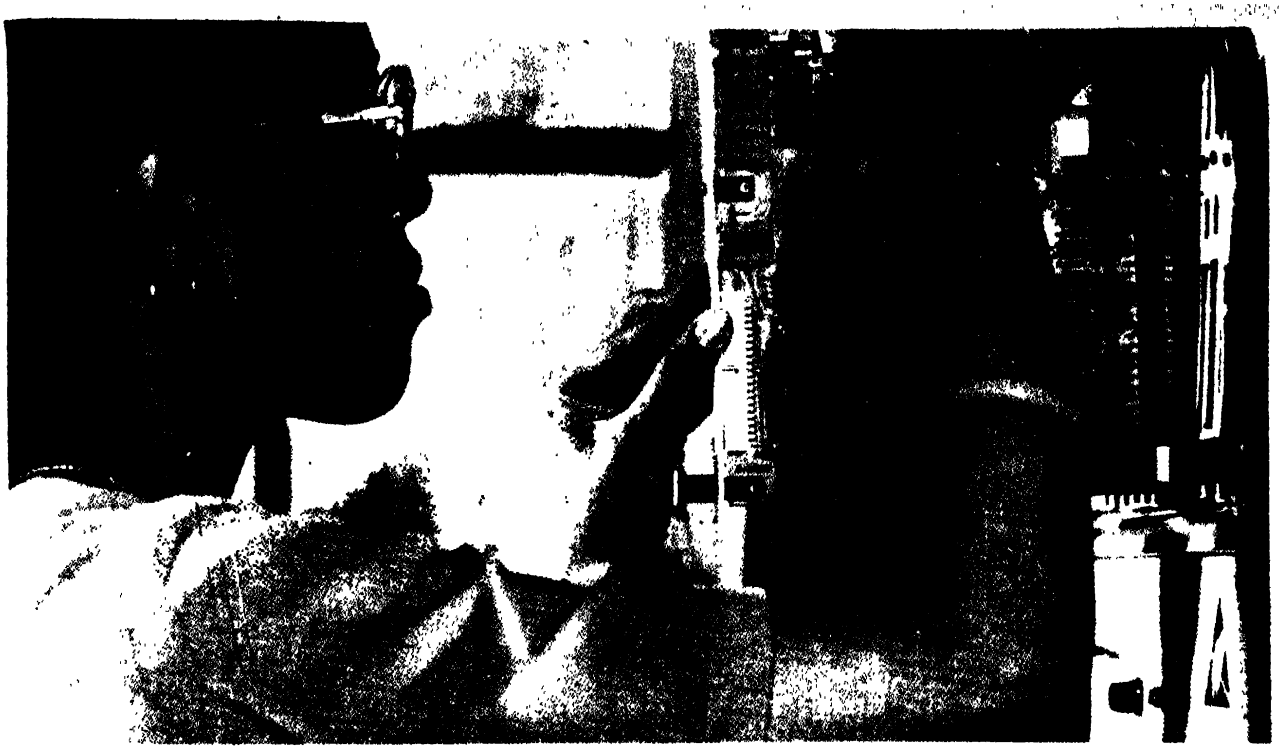
Criticising Nayyar for implicitly considering public invesment as an engine of growth, Shroff denies that the public investment has any crowding-in effect today though this may have been so in the past. No reason is provided for why public investment has no crowding-in effect now. What has been the critical change in the economy due to which public investment now has a crowding-out rather than a crowding-in effect? It is true that emphasis is needed to be put on improving the productivity and efficiency of the public sector, but that does not mean that investment in the public sector would cause harm to the economic health of the country in general. It is simplistic to criticise Nayyar for engaging in a stereotype of the 'growth vs equity' debate. The main concern of Nayyar is the direction in which economy is moving where we will have deceleration in growth with worsening equity.

So far as the fertiliser subsidy is concerned, it is true that proportionately greater benefits are cornered by the rich farmers which is bound to be the case for any generalised subsidy scheme, given the institutional-political set-up of the economy. In a situation where the elasticity of fertiliser use with respect to price is high, an increase in prices would adversely affect foodgrain output unless foodgrain prices are allowed to rise. When foodgrain prices rise, an overall cost-push inflation will be generated which will affect the stabilisation programme. Cut in priority sector lending also has serious repercussions for the agricultural sector. It is not clear how Shroff asserts that these implications for agriculture have been taken into account.

Shroff is right in criticising Nayyar for not paying attention to the sequencing problem. However, the remedy suggested by Shroff does not work as has been proved by the experience of countries which opted for simultaneous implementation of stabilisation and structural adjustment programmes. More often than not such shock therapy has resulted in stagflation and wide-ranging social unrest.

Lastly, it is curious that Shroff keeps a total silence on the problem of the asymmetric distribution of the burden of adjustment. At the global level this asymmetry can be clearly seen in the tensions over the GATT negotiations and the Dunkel draft. It is implicitly assumed in all such policy packages that the poorer sections will have to bear the cost of adjustment whereas those responsible for bringing the economy to such a pass continue enjoying the fruits of reform even as they had earlier benefited from the process causing the economic malaise.

Last, but not the least, is the question of social acceptability of the reform as also the externalisation of our policy initiatives which make us insensitive to changing realities on the ground. Unless we are prepared for a dictatorial set-up, ready to bulldoze its way through to reform, we must remain sensitive to the changing socio-political and economic situation and, for this, to retain the policy initiative is very important.



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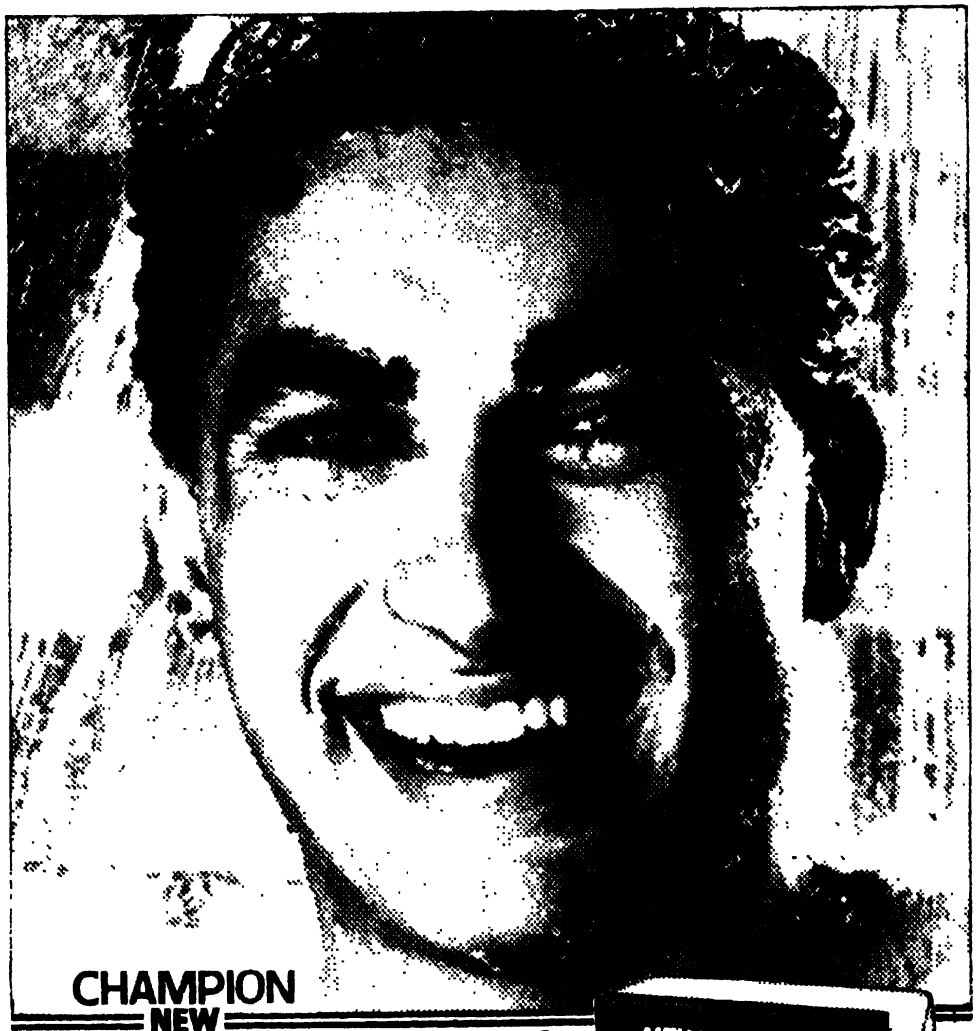
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